

# 2021 ASSET MANAGEMENT ONE SUSTAINABILITY REPORT

Creating a sustainable future  
through the power of investment



Will the world we live in  
continue unchanged for the next 10 or 20 years?  
There are many who would say no, and who harbor fears for the future.  
And there's only so much we as individuals can do about it.

Is it impossible for future generations to inherit this beautiful world?  
No. We still have time.  
With this firm belief in mind, Asset Management One will change.  
We will rise beyond the concept of an asset management company,  
and become the asset management company of a new  
“sustainability” era.

We bring together the important investments entrusted to us  
by our customers and their hopes and thoughts for the future,  
and use this to achieve the coexistence of a sustainable  
and creative society along with strong economic growth.  
We will make this kind of investment as the norm.

To provide customers with prosperity in their lives.  
To make children's dreams come true.  
We begin investing for a future that we can all be proud of.

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## Message from the President & CEO

We will remain one step ahead.  
Our goal is “creating a sustainable future  
through the power of investment.”

Asset Management One Co., Ltd.  
President & CEO

### Akira Sugano

Since 2018, we have continued to release our Stewardship Report to convey our approach and the results of our stewardship activities to our stakeholders. From this year, we are changing the name of the report to the Sustainability Report.

This is not simply a change of name but, together with our corporate message of “creating a sustainable future through the power of investment,” which we announced in January 2021, indicative of our firm conviction to incorporate sustainability in overall business strategy and management.

While stewardship activities remain an important commitment, we believe that real change in all corporate activities is needed now as well as change in the thinking and actions of every individual. It is easy to say we want to be a company “creating a sustainable future through the power of investment.” But, to really

give meaning to these words and to make an impact on the world, we need to act with conviction and courage and to generate outcomes, with the support of all of our stakeholders.

There are various challenges and conflicts that affect our efforts to promote shared values among employees, seek understanding of our target direction by clients and conduct earnest dialogue with investee companies. During the past year, we have taken on such challenges through company-wide initiatives. We are still halfway through the process, or one could say that we have only just begun. This report aims to convey our target direction and the journey to challenge the status quo and to achieve our vision of being an asset management company “creating a sustainable future through the power of investment.”

## Issues facing the world — signs of hope

The issues confronting humanity are becoming more serious and complex. This includes the global increase in abnormal weather and natural disasters caused by climate change, the prolonged menace of Covid-19, human rights violations and impacts on socially vulnerable people, widening inequality and divisions.

In particular, as a result of the lack of attention paid to climate change and biodiversity degradation, together with the pursuit of wealth in traditional capitalist values, we are very close to the point of no return. These two issues are obviously interdependent and the consequent enormous impact on the earth, human life and social activities has been proven scientifically. The Sixth Assessment Report of IPCC (the Intergovernmental Panel on Climate Change) was released on August 9, ahead of the COP26 scheduled for November 2021. This report marks a change in its conclusion concerning the influence of human activities as a cause for global warming. Up until the previous report, human influence was referred to as being “extremely likely,” whereas this new report states that human influence is “unequivocal.” The report also states that the risk from such impact is not a reference to a possible future event, but there is a strong assertion that the risk is already materializing. Therefore, we should not delay taking action and leave these problems for future generations.

Many of the issues surrounding the environment have so-called thresholds, where the earth by itself will be unable to rectify the issue once a tipping point has been reached. However, there are issues in our society that can be rectified by our own efforts. Nevertheless, the spread of Covid-19 has once again highlighted some of the social issues that have long prevailed in humanity. As if in violation of the important pledge to

“Leave No One Behind” in the Sustainable Development Goals (SDGs), there is a never-ending succession of serious human rights-related events and widening economic inequalities across various areas, which are also resulting in global divisions and conflicts.

Information reported in newspapers and various media is often serious and can sometimes make people feel numb and perplexed about what to do. However, there are also some signs of hope. This is because there is a real sense of change taking place in the approach by Japanese investors, who are the core of our clients, and our investee companies. We have received positive reactions from many institutional investors and investee companies with words of encouragement and collaboration for AMO initiatives in our dialogue with clients following the establishment of our corporate message of “creating a sustainable future through the power of investment” and after we joined the Net Zero Asset Managers initiative (NZAM). The stronger stance taken by the Japanese government is also encouraging.

### Impact of our message “creating a sustainable future through the power of investment”

A year ago, we spent a great deal of time discussing and defining our corporate purpose, or *raison d'être* in society, which led to the creation of our corporate message: “creating a sustainable future through the power of investment.” This discussion did not originate with the idea of creating some sort of phrase, but the message came about as a natural progression within the discussions as we shared our intention to incorporate sustainability into business management. This coincided with a surge of Covid-19 and all discussions took place in what was initially an unfamiliar

remote working environment. While we always strive to act professionally in the best interest of our clients, facing such a change of environment and no longer seeing each other in the office every day, both senior management and employees started to have a real sense that there was a need for an inspirational focal point in times of doubt.

The corporate message was only established in January 2021. Yet, we feel that there have been certain results, albeit small, even in the short time that has passed. The biggest change is the natural incorporation of the perspectives of ordinary individuals into the discussions between employees. We held a number of workshops to share this message with employees. It became evident that earnest attempts were made to respond to questions such as what are individual conflicts and what do people want, and what value can we provide under such circumstances. Even if the assets we manage come directly from institutional investors, many of the ultimate beneficiaries are individuals. We feel that the mindset of approaching issues from ordinary individual's perspectives is becoming established. In addition, the creation of investment products is increasingly aimed at being a trusted partner of our clients and creating long-term relationships. In fact, this corporate message helps us explore new product concepts and communicate with distribution companies more effectively. So there is a certain shift in the long-term direction in each area of our business. We believe that having a common language has significantly accelerated our discussions.

However, there are also challenges. The first is encouraging each and every employee to embrace the message. We have heard on multiple occasions at town hall meetings that it is hard to see how to link this message to the day-to-day work. It is not possible for all employees to become empathetic in a short period of time. We would like to capture various opportunities and use various means to encompass all employees.

The second issue is whether the pursuit of sustainability really leads to investment performance. There is no silver bullet and the issue does not have an instant answer. It is important for every individual to have an in-depth understanding of how the major issues facing the world will impact future corporate performance when approaching their investments. This requires not only a short-term but a medium- to long-term perspective, while attention also needs to be paid to non-financial information as well as financial information. In addition, management also needs to acknowledge the possibility of deterioration in short-term performance. Some investment managers may also face a major change in values, particularly those who are veterans and have established ways of doing things built up over a long time. Senior management must continue to show its support, so that those portfolio managers have the courage to revise their approach away from only pursuing investment performance. We have been preparing to be “one step ahead” in all of these initiatives. Taking a half-step forward (or initially not moving at all) to consider the circumstances could also be an approach that may ultimately lead to winning. However, we have chosen to be a frontrunner and to stay one step ahead, given the current circumstance of a world facing many crises. A person leading a race has to directly confront great resistance and the risks associated are also larger. However, there are also views that cannot be seen without being one step ahead and the potential benefits are also larger... We believe that if someone needs to do it, it should be AMO.



Our preparedness and determination is indicated in the message, “creating a sustainable future through the power of investment.”

## Implementing sustainability transformation (SX)

The next step is to implement what has been discussed and shared as our corporate purpose. That is, after sorting out the “Why?” we will establish the “How?” and the “What?” We are truly at the point when we must undertake the recently talked about “sustainability transformation (SX)” for ourselves. We believe that failure to do so would prevent us from realizing substantial value.

“Transformation” is accompanied by pain. As noted above, no one else has previously experienced the path we are taking towards the future. To progress, we may need to discard our previous conventional wisdom and

sense of values and fundamentally revise our thinking and approach. We were aware of the difficulties we were to simply proceed under the existing organisational structure. This is because in some circumstances we may reject our past selves. In addition, the related areas are broad and cannot be addressed individually. This includes the various sustainability-related news, the actions of regulatory authorities in Japan and overseas, recent trends in ESG strategies, and information released by international institutions and NGOs. And such development has been accelerating.

So, AMO launched a cross-functional coordination to progress the sustainability transformation project (alias SXPT), spanning the entire organization and reporting to the President. The Head of the Investment Division and the Head of the Corporate Sustainability Office are jointly leading this project. The heads of all divisions (executive officers) participate in the project as Steering Committee members, and senior executives are leading each of the four working groups (WG) in this SXPT project.

The core of these four working groups is the Materiality Identification WG. When we refer to ESG investments, there are two main approaches. One is to use an abundance of ready-made tools and methodologies and another one to discuss and tackle from the root of the issues that need to be solved. This may at a glance appear to be a diversion, but the Materiality Identification WG selected to use the latter approach. This is because without doing so, we would not be able to do what we really should as an asset management company aiming at “creating a sustainable future through the power of investment.”

The WG directly considers and extracts global issues from an enormous number of reports and news releases as well as documents released by global think tanks and NGOs, etc. It then looks at the history and background of such issues and examines the tradeoffs between the issues. The fact that there have been careful and thorough discussions gives us great strength and confidence. The materiality map, which was the initial outcome, has become the basis for

indicating the direction of our activities. Among the respective items listed on the materiality map, there are items that present a shared sense of crisis by the world and a clearer link to the financial materiality of companies, while for some other items, the impact on corporate value and causal relationships are still not evident as what is so-called “non-financial.” In other words, we need to consider the possibility that something in future could trigger a significant change in position. We track such trends and analyze the timing of an impact, which we also discussed with various stakeholders, so this materiality map has real value. This is extremely challenging and also takes time. Furthermore, since no one really knows at the present point if this is correct, we believe that scientific analysis is required that includes forecasting to the greatest extent possible.

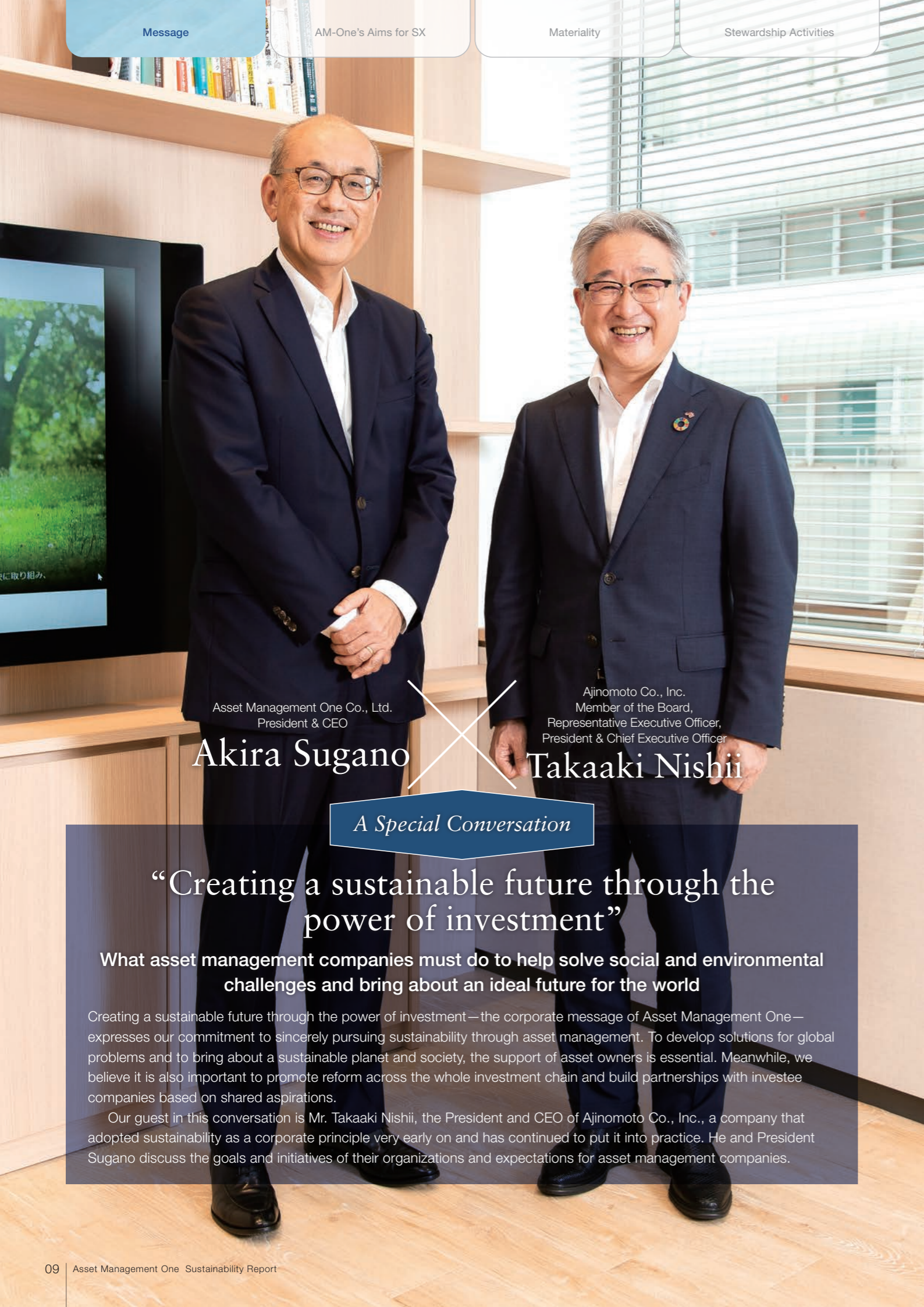
## Moving forward together with our clients and all stakeholders

The efforts of AMO by itself are not enough to solve all the challenges we have noted to date. AMO's employees play a most important key role in starting initiatives so that we can have authentic dialogues with all our stakeholders. This is because without a real passion of each and every employee, we will not be able to acquire the empathy of other stakeholders.

On each side of us asset managers in the investment chain are assets owners, who are our clients, and the investee companies. We would like to continue playing a proactive role in the investment chain and moving forward together to address the key challenges facing the world. The government authorities and other market participants as well as the civil sector such as NGOs are also important stakeholders who we work closely with.

We will continue our engagement and dialogues with all stakeholders to share our aims and work collaboratively. We believe that building up these dialogues one by one will help us to “move big mountains” and “create favorable flows,” which will eventually help to drive the world in a desired direction.





Asset Management One Co., Ltd.  
President & CEO

**Akira Sugano**

Ajinomoto Co., Inc.  
Member of the Board,  
Representative Executive Officer,  
President & Chief Executive Officer

**Takaaki Nishii**

*A Special Conversation*

“Creating a sustainable future through the power of investment”

What asset management companies must do to help solve social and environmental challenges and bring about an ideal future for the world

Creating a sustainable future through the power of investment—the corporate message of Asset Management One—expresses our commitment to sincerely pursuing sustainability through asset management. To develop solutions for global problems and to bring about a sustainable planet and society, the support of asset owners is essential. Meanwhile, we believe it is also important to promote reform across the whole investment chain and build partnerships with investee companies based on shared aspirations.

Our guest in this conversation is Mr. Takaaki Nishii, the President and CEO of Ajinomoto Co., Inc., a company that adopted sustainability as a corporate principle very early on and has continued to put it into practice. He and President Sugano discuss the goals and initiatives of their organizations and expectations for asset management companies.

Asset Management One aims to spearhead future-oriented investment with a view to 10 years, to 30 years from now

**Sugano:** I'll begin by talking about our own initiatives. Asset Management One was established in October 2016 through the integration of four companies. We are one of the largest asset management companies in Asia with assets under management of around ¥57 trillion (as of March 2021). From the start, we have been committed to ESG investment, establishing a dedicated unit, the Responsible Investment Group, and actively engaging with investee companies. Over the past several years, our stewardship activities have earned high recognition outside the company as well. But we also wanted to maintain a critical stance toward our own business management and operations. Therefore, in April of last year, we established the Corporate Sustainability Office. As a company, we are involved in hiring and developing women leaders, improving working styles, reducing greenhouse gas emissions, and tackling other social and environmental issues and are thereby taking steps forward to align ourselves with our investee companies and with our clients.

**Nishii:** That is a wonderful approach to take.

**Sugano:** We are still in the beginning stages. Your company though articulated “The Ajinomoto Group Creating Shared Value” initiative, or ASV, to address “21st-century issues of human society” back in 2014, which, for a Japanese company, was very early—you were certainly out in front.

**Nishii:** Thank you. Our first initiatives for sustainability management were prompted by comments received from experts such as social activists from outside the company in 2005.

**Sugano:** So, they go even further back than 2014.

**Nishii:** Yes. I'll speak a little first on our background. Over 110 years ago we became the first in the world to discover umami, and the company was established to contribute to the health of the Japanese people by turning it into a seasoning. To disseminate this new



value throughout the world, in our tenth year we established offices in New York and proceeded to develop globally. This is our history, and it gave rise to our slogan, “Eat Well, Live Well.” Our background is itself the foundation of our sustainability management. ASV was not something tacked on later; the undercurrents were always there throughout the company's history. In 2009, we defined “Global Sustainability,” “Food Resources,” and “Health and Well-being” as “21st-century issues of human society” and created a three-year plan to work for solutions.

**Sugano:** In your Medium-Term Management Plan that began in 2020, it states that Ajinomoto will “Help people worldwide enhance healthier life by unlocking power of amino acids.” How many years does the plan cover?

**Nishii:** Our mid-term plans had normally covered three years, but with this latest plan, we reached the conclusion that three years was not enough for a company aspiring to contribute to solving global food and health issues by 2030. So, we created a six-year plan divided into two phases of three years each. To achieve the SDGs and real impact through our business activities requires an outlook on a longer than normal time span.

**Sugano:** That makes good sense. When we created our mid-term business plan in 2018, which started the next year in 2019, we backcasted from a vision of how the company and society should be in ten years. In this day and age though the pace of change in society is so fast and the conventional wisdom for the



## Embedding sustainability into the backbone of business strategy as a test of management acumen

asset management industry also changes very quickly, so we must review the plan every year and make minor adjustments accordingly. As a result, we have ended up refining the plan almost every year.

**Nishii:** We face a similar challenge. Doing the same thing at the same conventional pace would never achieve our goals.

**Sugano:** Preparing for how the world will be in 10 years or 30 years inevitably incurs all sorts of costs, and so there can easily be conflicts with short-term performance. How to convince stakeholders, who may expect short-term outcomes, is a very difficult challenge.

**Nishii:** It certainly takes time to implement plans and meet targets set from a medium- to long-term

standpoint. During the interim, results have to be generated continuously through existing businesses, so I tell our employees that it is important to achieve positive outcomes in their immediate work while also looking ahead to the future. But I also say I don't want them to forcibly create sales. I repeatedly remind everyone that our target KPI is not short-term P/L numbers; it's been changed to medium- to long-term ROIC and the organic growth rate.

**Sugano:** How to both take on the challenge of a long-term purpose and also achieve short-term to medium-term performance? Extremely progressive executives with respect to the SDGs do not always get rated highly by shareholders—there are various examples of this among major companies in the United States and Europe as well.



**Nishii:** When the senior management of a major European food products company—one that I know quite well—steered its ship toward a brand of management focused on profits to society as a whole, the majority reaction at first was skepticism. The turning point though came in 2015, when the UN put forward the SDGs and the company came to be seen in a positive light, as a business leader working to solve global problems.



**Sugano:** So, it requires a great deal of resilience and hard work. To move sustainability management forward, it becomes important for a company to align itself with society as a whole; that is to say, to adopt a multi-stakeholder approach. This way of thinking is gradually spreading in Japan as well. At the same time, our clients, who entrust us to manage their assets, are broad-ranging including pension funds financial institutions, and individual investors. The values of our clients are diverse as well, but what they have in common is the need for a return on their investment. Therefore, while we strive to meet their expectations for short- and medium-term gains, we need to also help them understand the value of investment that is geared to ten years from now.

**Nishii:** I too have a good sense for the difficulty of gaining the understanding of diverse stakeholders. The awareness of consumers and the general public is also diverse by region. For example, in developing countries, there are people who do all they can just to subsist; their awareness differs greatly from customers in Japan and Europe. This is the nature of our customers. The issue then is how we go about integrating sustainability as an approach.

**Sugano:** I see. Could you speak about this in a little more detail?

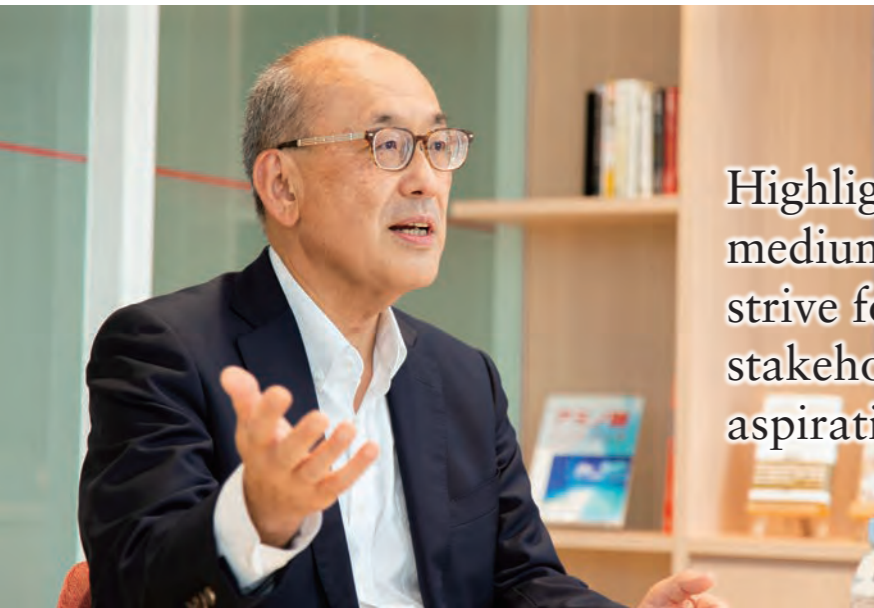
**Nishii:** It is a question of how to embed themes that bring about sustainability into the backbone of business strategy. Whether a company can set themes that are both environmentally and economically viable is a test of its management's acumen. Reducing our environmental footprint by 50% and helping a billion people enhance healthier life are two goals that are deeply connected. We have created a strategy for achieving both of these goals through our business activities, which is possible precisely because we are the Ajinomoto Group.

We are a company that develops food products and healthcare businesses using 80 million tons of food resources as fermentation ingredients every year, along with 40 million tons of fresh water and 100,000 tons of ammonia, to create 1.0 million tons of amino acid materials. Without these raw materials, it would be impossible for us to even continue as a business. Solving this social problem is essential to our existence, and it will generate innovation as well. The impact will likely be the ability to adequately absorb the environmental tax (carbon tax), which could potentially cause an additional burden of several tens of billions of yen in the near future. If we are able to paint such a scenario, it could allow us to make decisive capital investment with a ten-year outlook. Since 2015 we have defined materiality items, the key issues for the organization, and have announced them in the form of a map.<sup>1</sup>

<sup>1</sup>) Format changed to a materiality list in FY2019

**Sugano:** It's a wonderful model for us. The materiality map we're currently working on uses "sustainable materiality" as the vertical axis—social and environmental issues identified through dialogues with various stakeholders including NGOs—and "financial





## Highlighting key issues from a medium- to long-term perspective to strive for communications with stakeholders based on shared aspirations

materiality” as the horizontal axis, which focuses on economic impact and reflects the important themes discussed by the World Economic Forum. Going forward, we plan to utilize this materiality map to carry out engagement with investee companies and, in the future, to consider impact investment as well. The further to the upper-right, the higher the importance on both axes; this is where there are key items like climate change, loss of biodiversity, health and well-being, and diversity and inclusion, and so many items overlap with the materiality defined by your company.

**Nishii:** It is a wonderful map that covers the issues and challenges that we need to address now. I’m very much in sympathy with the items shown here, especially those important items toward the upper-right. And I think that these are not all separate issues; they are interconnected. For example, a “sustainable food system” is not a procurement problem alone; it is also directly related to the problem of biodiversity. The issue of biodiversity is deeply linked to the soil problem, and the largest source of greenhouse gas emissions is said to be agriculture. I think the food system is what connects health issues and global environmental issues in a cyclic formation like a Mobius strip.

**Sugano:** I see. It’s not that either one or the other is important; rather, they’re all connected in an indivisible ring. If investors don’t take this view that multiple issues are organically interconnected, we won’t be on the same page in discussions during engagement with companies.

**Nishii:** It would be extremely helpful if asset management companies adopted this perspective. “What about the water issue?” “What about greenhouse gases?” Honestly speaking, if KPIs are required for each individual issue, it becomes extremely difficult to commit.

**Sugano:** I think that’s exactly right. While receiving input from various experts, we have held many discussions lately on defining focus areas that combine and link individual items. We are learning a lot from NGOs about the background to each issue and the initiatives that have taken place in the past. We also want to hear the opinions of companies like yours, those involved in business areas with a strong sense of mission on how to move forward as a business; this would help us to continuously refine our map to make it more effective.

**Nishii:** I hope you can take the lead in this. For both global environmental and economic issues, if there is widespread awareness in society of the themes that can be solved simultaneously, investment would truly be drawn to necessary industries and a better future could no doubt be created for humankind. For example, looking closely into the biodiversity issue, cultivating stable soil with nitrogen and phosphorus becomes important. If the soil is improved, regeneration by microorganisms will reduce greenhouse gases and also improve agricultural productivity. It also would contribute greatly to business efficiency as a result. Plus, healthy meals would reach a much broader segment of the population, not just one subsection. When the food



## Listening to diverse feedback from inside and outside the company and working to create a corporate culture in which all employees see the company’s vision as their own initiative

system is made the main axis, it becomes possible to address and solve a number of social issues—this is our belief. If the energy problem can be likened to the coronary arteries, then the food system is like the capillaries. It is extremely complex and there are many players involved, but many initiatives can be begun with small-scale supply chains as the starting point.

Many items are difficult to quantify, and the barriers that must be overcome are not low, but we must patiently and resiliently engage in each one of them.

**Sugano:** I completely agree. If the world can unite in striving to achieve the same goal, that of sustaining



the global environment, investment would be drawn to innovation that speeds up the goal’s achievement, and it would also likely accelerate the movement to change consumer behavior.

**Sugano:** How to expand the scope of partners sharing the same aspiration will be key. In this sense, I want to ask you about communication with stakeholders, which you mentioned earlier. What are Ajinomoto’s initiatives in this area?

**Nishii:** With regard to defining materiality items, we created the Sustainability Advisory Council, which is





directly linked to the Board of Directors and receives opinions from people outside the company as well. There are three key perspectives, and the first is that of long-term investors. For this, we had an expert in sustainable investment join the council. The second is the perspective of well-being. So, we had not only experts in physical health and nutrition but also someone whose research focuses on what happy living may look like in the society to come, and they discuss well-being in the broad sense. The third perspective is that of the next generation. The council includes a 31-year-old member, who is the generation that can see the world 50 years from now as their own matter. At every meeting, there are some extremely powerful opinions. We hope to have our next management plan reflect all of these views.

**Sugano:** You've also embraced diversity and utilize it in company management. This is highly laudable. What is your approach to communication with employees?

**Nishii:** Employee engagement is one of the KPIs we've agreed to with investors. It is not a non-financial factor; it is "pre-financial". In other words, we regard it as an indicator for ensuring profit is generated in the future. Our company's founding was directly related to solving a social problem, so I think there's a relatively

high degree of sympathy for the purpose that management has defined. One of the focuses of our engagement with employees is making ASV feel like it is their own initiative. We put a score to the feeling that employees are personally contributing to the achievement of the company's vision and keep track of it every year. In 2019, 55% of employees felt they were contributing, but this grew to 64% last year. Though this is still not good enough. We are making efforts to improve this through dialogue, which has included creating opportunities for the presentation of individual goals to all employees and providing awards to broadly share successes. Opportunities are also actively created for me to directly convey my message.

**Sugano:** We are also engaged in this through a process of trial and error. In formulating our corporate message, we held town hall meetings to discuss the matter with all employees and took on the challenge of having employees regard this commitment as their own. This alone though inevitably produces a range of responses. Since our employees are professionals who have a strong sense that they need to perform and be accountable, their response included comments like "If we really do this and it doesn't produce results, what happens then?" I realized it was necessary to clearly convey the message that we



need a major transformation in values and that senior management will take responsibility for backing them up on it.

**Nishii:** Something similar happened at our company as well. Last year, at executive training, we used three sessions to look back at medium-term management plans for the past ten years and tried to determine why some targets weren't achieved according to plan. We had each individual do an analysis themselves and then discuss their findings with me and other two representative directors. This was done with fifty people over a period of more than three months. When we started, one of the corporate executive officers said, "Can I really speak freely? Is someone going to guarantee my standing?" So, I wrote a message and distributed it to all participants: "As the president and CEO, I am guaranteeing your psychological safety." After the training, this was cited as one of the best aspects of the training. The opinions we received were of very high quality as well. At this spring's presentation of management policy, I sent a similar message to all employees of the Group. I also asked the respective heads of each division to speak explicitly of this themselves. I think the atmosphere has changed a little as a result. At this year's training, we are including non-management

employees in their twenties and thirties as well, and I expect it will be even more effective, because everyone will no doubt give it their all in front of their younger colleagues.

**Sugano:** That's a great idea. Thank you very much today for such an informative and inspiring conversation. Lastly, would you please share your expectations and any advice you may have for us?

**Nishii:** Since becoming the president and CEO in 2015, I have personally felt that sustainable investment is going to become powerful enough to significantly change the world. I very much expect that you will bolster the power of investment to help achieve the goals that humankind must absolutely achieve for the sake of its own future. At the same time, as a company, we will continue working with a sense of mission. I hope that we can move forward together as partners in creating the future.

**Sugano:** While learning as much as possible from the future vision and strategy of Ajinomoto, we will pioneer a new role for us as an asset manager so that we can also help other companies navigate their way forward. I thank you in advance and look forward to continuing our partnership into the future.



Message from the CIO

The importance of indicating the path that should be taken - as a pilot

Nobutaka Aoki

Managing Executive Officer,  
Head of Investment Division  
Asset Management One Co., Ltd.

ESG investments are widely considered as an investment approach that takes into account the respective perspectives of E (Environment), S (Social), and G (Governance) based on the belief that each has an impact on investment performance. However, I do not think ESG should be taken as one of many other factors that influence investment performance. I believe that it is an essentially important aspect for investment decisions and should be taken as a major driver.

The livelihood of asset management companies is to generate returns from investment on behalf of our investor clients. First of all, these returns from investment are a share of the added value generated as a result of corporate and individual economic activities in the global economy. The market we deal in on a daily basis would not exist without such economic

activities. And for companies and individuals to undertake such economic activities, there needs to be a foundation. However, the environmental and social problems being confronted by humanity today are causing the basis of such foundations to waver, with the trend towards destruction progressing at a very fast pace. Our future will be extremely bleak if we are unable to keep this in check. The economic impact of environmental issues such as climate change and biodiversity is anticipated to be in the order of tens of % of global GDP. This amount can be considered to be a negative factor because it damages existing business. However, it can also be considered a positive factor with the potential for new business. We can say that for asset management companies, ESG means to minimize the negative impact and maximize the positive potentials of these influential issues. By doing so, we

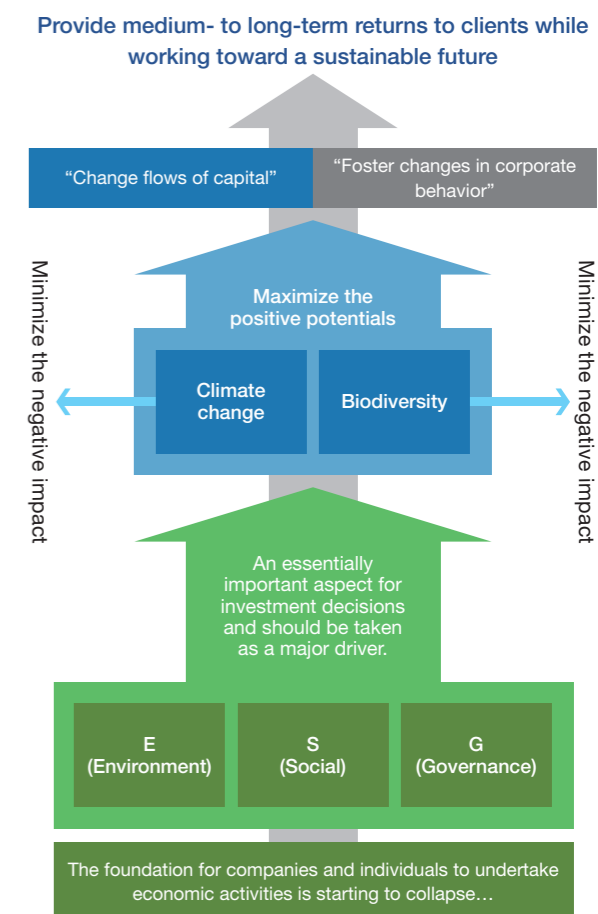
will be able to continue to provide medium- to long-term returns for our clients, which is our ultimate goal. We believe that we must do what we can in our own business activities, that is, we must do our utmost to direct capital flows and to foster positive changes in corporate behavior to help create such a sustainable future. While the analogy may seem presumptuous, in some ways we would like to act as a pilot leading the way to our perceived destination for the future and navigating the path of progress by illuminating various roadmaps.

If you work in an industry like us who live in an urban area and being remunerated as a knowledge worker in Japan today, you are apt to feel somewhat removed from the many crises facing the world as if they are events taking place on the other side of the screen. Even if extreme weather events and natural disasters due to climate change are occurring nearby, we tend to have a sense that such events are happening to other concerned parties and that we are somehow not involved. The real sense we have gained by confronting the key issues through our current initiatives is that every person who lives on the Earth is a concerned party and time for actions is running out. The message "creating a sustainable future through the power of investment" embodies our commitment and determination that was derived when we asked ourselves what we should do in the time left, given the situation facing humanity and the magnitude of challenges we must overcome to achieve the vision for the future.

A point to note here is that AMO does not necessarily claim to have the right answers for the path that each investee company should take. The senior management of companies is striving to refine strategies on a day-to-day basis. There are also remarkable differences by industry in terms of the awareness of environment and volume of information. As an investor, we can provide valuable insights in our engagement dialogues with investee companies. We also convey our expectations for the creation of a sustainable future and work together with companies to discover viable solutions. That is why we believe it is necessary to grasp global environmental and social issues and ESG trends in a timely manner, to think about it ourselves with an earnest approach to ensure more effective engagement.

» The path until formulating the materiality map

There are various perspectives within the ESG spectrum. While the ideal is a perfect response to all issues, in reality this is difficult. Therefore, we needed to think about which aspects and issues would be our focus areas. Since AMO is an asset management company, it goes without saying that economic returns are important. However, that by itself may put the aforementioned foundation in danger. So, we have set two axes with the financial materiality axis that considers economic returns and the sustainable materiality axis that considers sustainability. We then created a materiality map to illustrate the key issues that we should focus on for which we can use our



strengths to make the most contribution. For example, climate change has reached a state that would result in the Earth's average temperatures rising at a faster than anticipated pace in the near term if nothing is done. This is an issue that would not only exacerbate natural disasters but also lead to biodiversity degradation and etc., so this issue can be assessed as being the most important on the sustainable materiality axis. At the same time, it also has a substantial impact on our economic activities, so it is regarded as the most important on both axes.

AMO has to date engaged with investee companies and provided financial products to investors concerning ESG. Now, what will change with the establishment of this materiality map? Even though we have set ESG as an important theme in our activities to date, such activities were focused mainly on improving value creation of individual companies and increasing our investment portfolio returns. However, that is not enough if we are to achieve a sustainable society and economy. As a result of thinking that we must firmly grasp the impact that corporate activities have on ESG issues and rebuild our activities from the ground up based on what actions are required to solve major issues for the global environment and society, we use the materiality map as a guide for our activities.

Shifting away from an agenda of improving the value of individual companies to taking a bird's-eye view of the problem represented a shift to a completely different

concept, which has no doubt caused some confusion for investment managers. However, we repeatedly conveyed the need for this approach to achieve our vision for the world during our debates when examining the materiality map. To gain further clarity of the issues, we proactively conducted dialogues with various stakeholders such as NGOs. This provided us with new perspectives and freed up our discussions from the existing sense of values, leading to visible changes in every individual's attitude and in the expression of their words.

The materiality map does not have particularly surprising features compared to other similar matrices and it is not a point of differentiation by itself. However, we have substantially changed our standing position. We believe there is considerable value in this process of building up ideas and engaging in debates with repeated dialogues that carefully unwind the global issues. This is not something that is created once and packed away. It is important to capture the dynamic aspects of materiality, as the way we impact society and the interests of global society change, using this as the starting point for discussions at the annual reviews. In regard to our focus areas, there is also value in setting minimum expectations to help companies create corporate norms and providing evaluation tools for measuring societal impact.

## » Beyond the materiality map

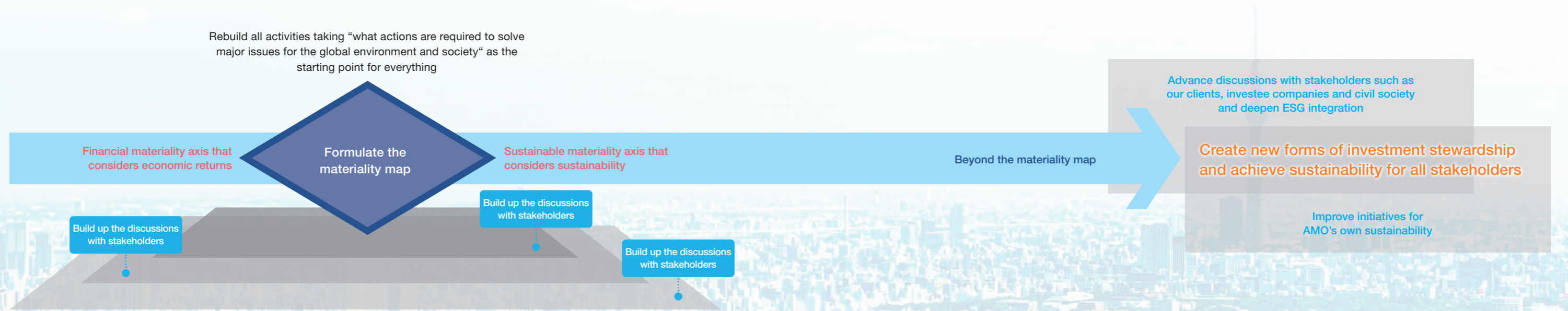
We would also like to change the method of ESG integration using the materiality map as the starting point. In the case of active investment, we have commenced actual discussions with portfolio managers of each fund, based on the idea of linking macro research on the risks and opportunities for respective materiality factors to investment decisions and incorporating the risk assessment concerning the materiality of individual companies into investment decisions as well. ESG scores and ratings will not be used as a formality but firmly linked to the realization of sustainability and economic returns. While there are still many barriers to be overcome in putting this into specific practice, we plan to quickly put this in place. An important point that will enable this to be achieved is to firmly connect and understand the relationship between corporate activities and the identified material issues. Then we need to indicate to investee companies the minimum expectations for what is required in action. We believe this would connect ESG investment with the realization of sustainability and is extremely important for avoiding ESG washing. On top of this, we will continue to respect the approach to performance that has been established in our investment philosophy to date, while incorporating the solid analysis of ESG related risks and opportunities into our investment process. To do this, we believe it is

also essential for individual portfolio managers to truly understand and embrace the new approach.

In addition, we would like to advance discussions with various stakeholders including our clients, investee companies and civil society to further deepen ESG integration, by clarifying our approaches to ESG and reflecting it in investment process. In particular, the most important aspect is the understanding and empathy of our clients. While explaining our approaches, we also need to adequately reflect the objectives and needs of clients, to create new forms of investment stewardship and accountability. We will of course use this materiality map in our engagement with investee companies as well, which we have conducted with a genuine and constructive manner to date.

We not only set requirements for investee companies; AMO itself continues to improve its own initiatives for sustainability. This materiality map should also be used when looking at how we incorporate sustainability into our own business and in engagement with ourselves. We must also work hard and succeed on the important issues that we have set to address.

AMO's own sustainability can be achieved only when the sustainability of our clients and all other stakeholders is achieved. We always face this with earnest. Going forward, all AMO's activities will be progressed while using this materiality map as a guide. We are committed to achieving our corporate message: "Creating a sustainable future through the power of investment."



# Sustainability Transformation (SX) Targeted by Asset Management One

## Asset Management One's strengths

### One of the largest asset management companies in Asia

► Overview of AM-One: PP.91 ► Collaboration with initiatives and government agencies: PP.41

AM-One has approximately 510 billion USD in assets under management and a wide-ranging client base of individuals and companies. We have approximately 300 investment staff and provide diverse investment products for active and passive investment.

As a leading asset manager in Asia, we collaborate with wide-ranging stakeholders such as government agencies and influential global initiatives such as the Net Zero Asset Manager initiative as we work towards solving environmental and social issues.

### Integrated highly effective engagement and exercise of voting rights

► Engagement: PP.45 ► Exercise of voting rights: PP.61

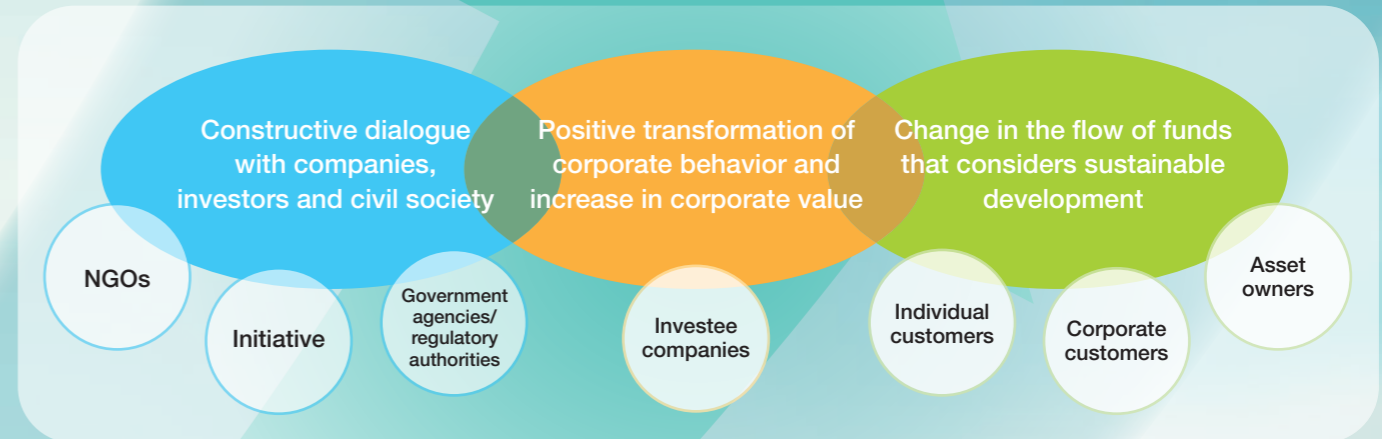
We conduct highly effective engagement with investee companies through collaboration with wide-ranging stakeholders and detailed progress management using our proprietary milestones system centered on our Responsible Investment Group, which comprises ESG analysts with a wealth of investment experience. In addition, we encourage action that will improve corporate value by reflecting the dialogue content and progress in initiatives for ESG issues identified through materiality analysis in the exercise of our voting rights.

### Reflect materiality in investment decisions

► ESG integration: PP.73

We grasp the opportunities for business expansion as well as the physical and transition risks of investee companies through detailed analysis, including ESG macro research, of each issue, in anticipation of major change in the economic and industrial structure with the materialization of environmental and social issues indicated in the materiality map and reflect this in investment decisions. We also promote the realization of a sustainable society with initiatives and the power of investment that consider ESG in relation to externally managed investments and alternative investments as well.

Achieving a sustainable society and economy as well as wellbeing



**Passive Investment that "moves mountains"**  
(Passive Investment with Intensive Engagement)

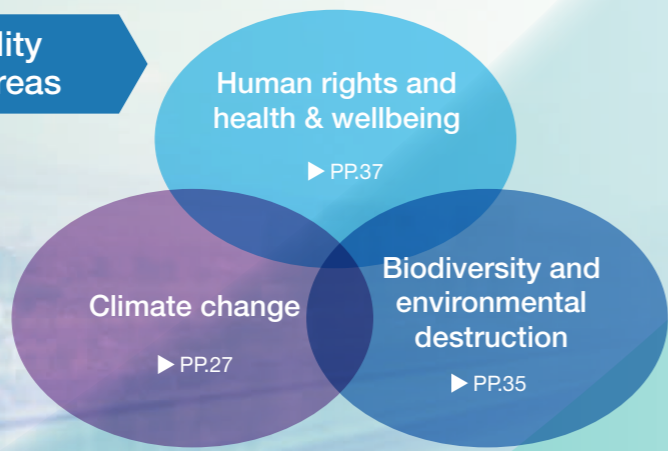
Strengthen the link between effective engagement and exercise of voting rights; promote initiatives for a sustainable society in the entire market.

**Active Investment that "sets the flow"**  
(Active Investment that Drives Sustainability)

Evaluate company-specific materiality in terms of both risks and opportunities; identify companies that will be the driving force for sustainability.

## Identify materiality and set focus areas

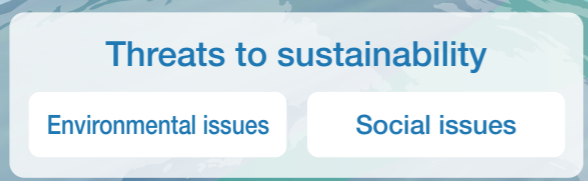
Three focus areas



## Materiality map = The compass for creating a sustainable future through the power of investment

► Asset Management One's Materiality items PP.23

Create a materiality map that dynamically captures global environmental and social issues based on the two axes (double materiality) of "sustainable materiality," which indicates the level of civil society's and investors' interest, and "financial materiality," which indicates the economic impact, and identify nine core Materiality items. Set three focus areas, in light of the mutual relationships between each of the issues.



## Corporate Message "Creating a sustainable future through the power of investment"

As a long-term investor, Asset Management One incorporates sustainability into management and uses the power of investment to create a sustainable society and economy as well as wellbeing.

► The CEO's Message: PP.3 ► The CIO's Message: PP.17  
► Corporate sustainability initiatives: PP.81 ► Sustainability governance: PP.87

## Materiality as defined by Asset Management One

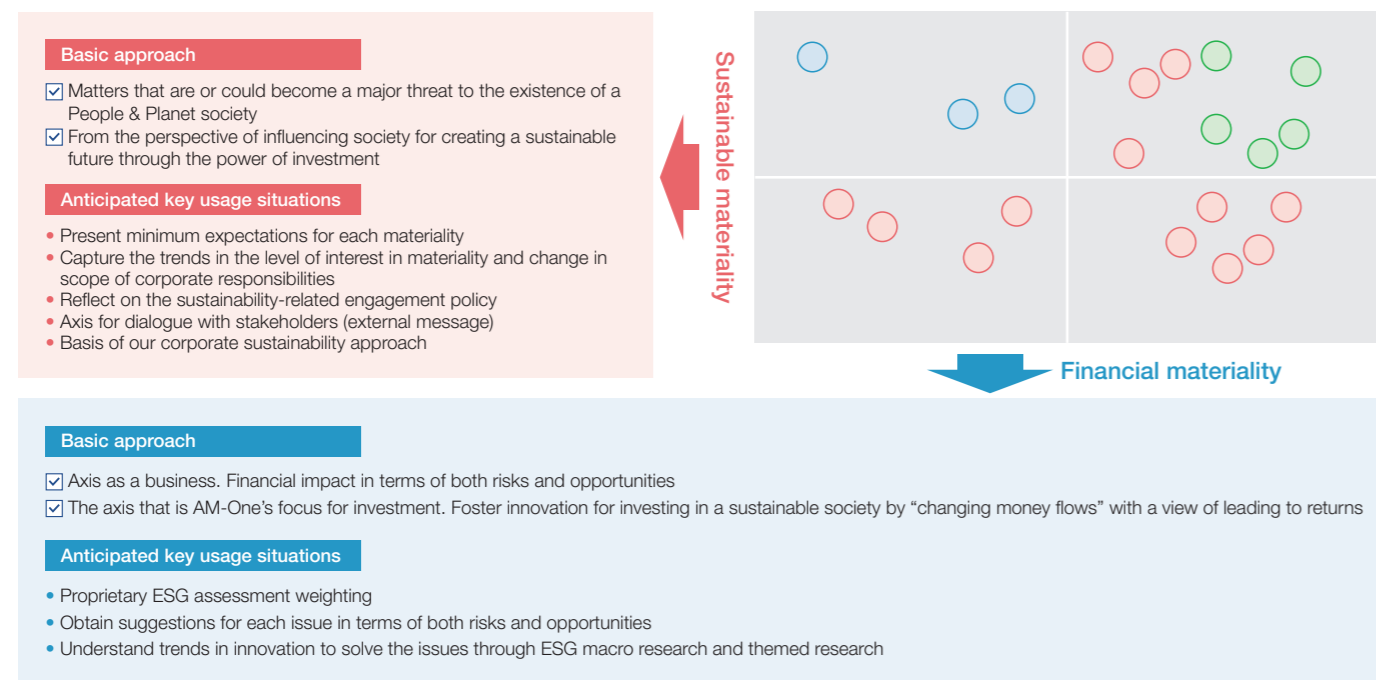
### Our Approach to Materiality

#### The compass for “creating a sustainable future through the power of investment”

To identify and understand significant issues for the global environment and society = materiality that have been barriers to “creating a sustainable future,” AM-One has conducted an analysis through the double materiality factors of sustainable materiality and financial materiality.

Sustainable materiality is an axis (People & Planet axis) that indicates the global society's level of interest in environmental and social issues, while financial materiality is an axis that indicates the level of economic impact from and on corporate activities.

The materiality map indicated by these two axes is considered by AM-One to be the compass for creating a sustainable future through the power of investment. We have set the materiality map for both axes while having the following image for use.

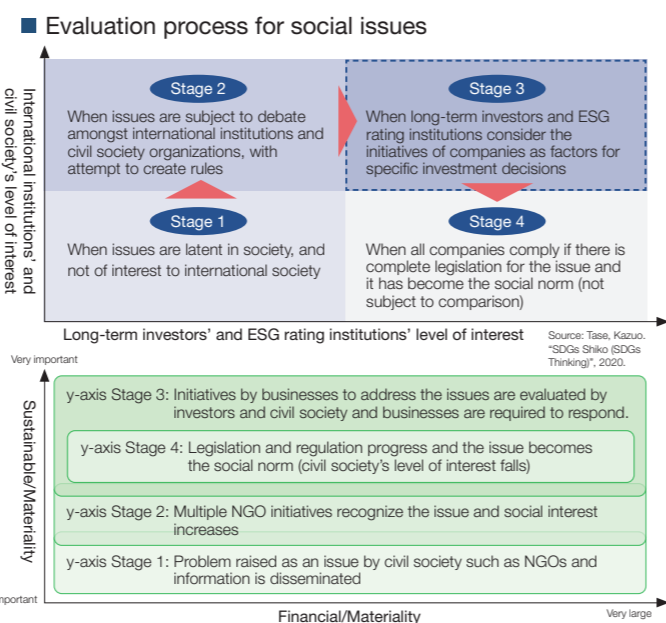


## Dynamically capture global environmental and social issues

AM-One believes that environmentally and socially important issues change hour by hour due to many factors including the changes in environmental and social circumstances and the creation of innovation to solve such issues.

Therefore, for sustainable materiality, we try to dynamically capture the civil society's and investors' level of interest in each environmental and social issue using the evaluation process for social issues advocated by AM-One advisor Kazuo Tase, and reflect this in the evaluation process.

In addition, for financial materiality, we calculate the economic impact of each issue, which has enabled us to perform evaluation according to changes such as heightened legislative and regulatory risks and changes in the creation of innovation, etc. We believe that dynamically capturing sustainable materiality and financial materiality in this way, should lead to efforts for effectively solutions by accurately understanding environmental and social issues according to the changing times.

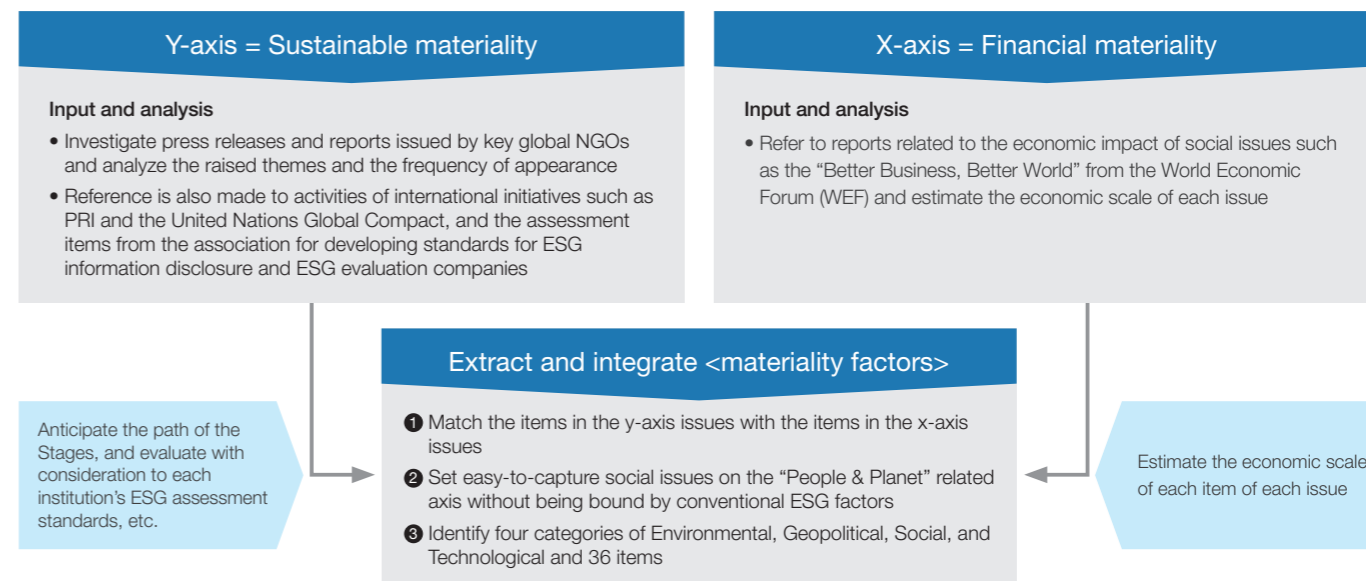


### Materiality Analysis

#### Create a materiality map from two axes: civil society's and investors' level of interest and the economic impact

##### 1 Identify global environmental and social issues

In the identification of global environmental and social issues, we took sustainable materiality and financial materiality related axes and analyzed a wide range of information disseminated by the business world such as global NGOs and the World Economic Forum, without being bound by existing ESG factors, and identified easy-to-capture four categories of “Environmental,” “Geopolitical,” “Social,” and “Technological,” in addition to 36 items, as social issues with “People & Planet” as the axis.

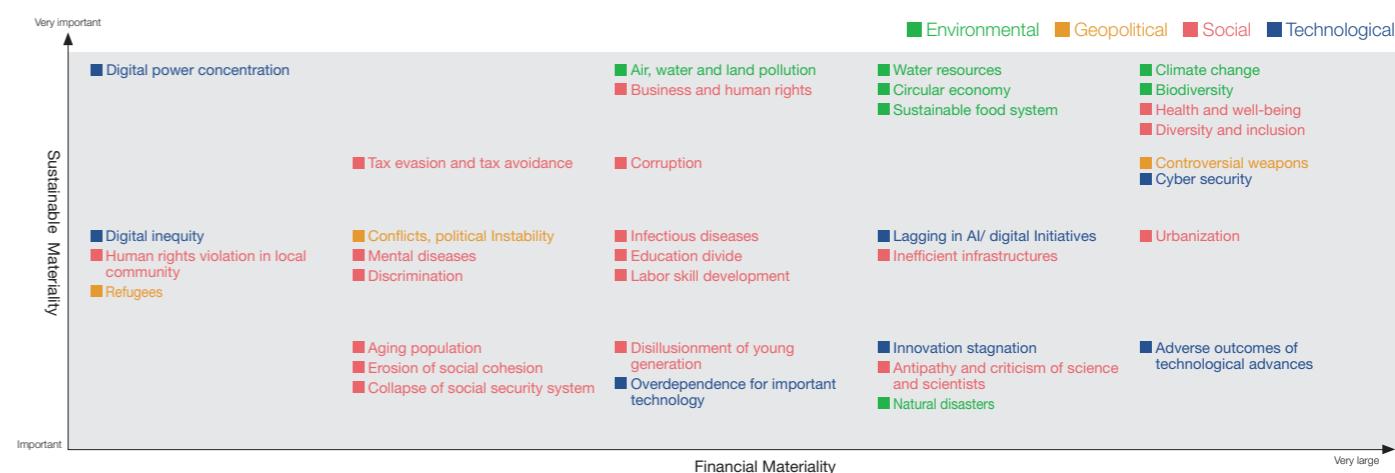


##### 2 Engagement with stakeholders

AM-One has strived to understand and solve environmental and social issues through engagement and collaboration with various stakeholders for the development of a sustainable society. In addition, in this identification of materiality, we had dialogues with persons from global NGOs and other organizations, who are at the front line of efforts to find solutions, about the appropriateness of the identified materiality items, challenges and tradeoffs for solving the issues, and the actions to expect from investors, etc. Through these dialogues, we were able to accurately understand the issues and obtain suggestions for the formulation of the future action plan.

##### 3 Creation of materiality map and recognition of core materiality

Through the aforementioned identification operations and engagement with stakeholders, create a materiality map that combines sustainable materiality and financial materiality. AM-One has set 9 items (climate change, biodiversity, health & wellbeing, diversity & inclusion, water resources, circular economy, sustainable food system, air, water and land pollution, and business & human rights) as core materiality for the economy and society.

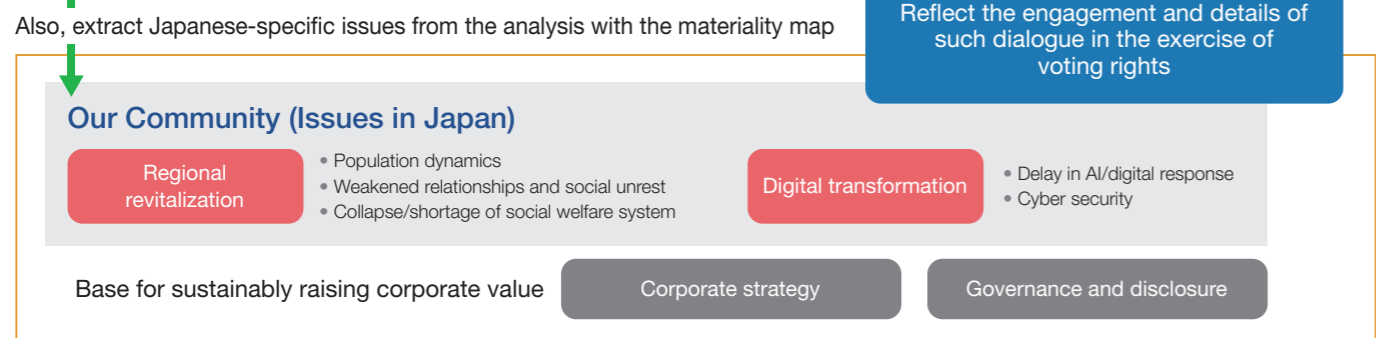
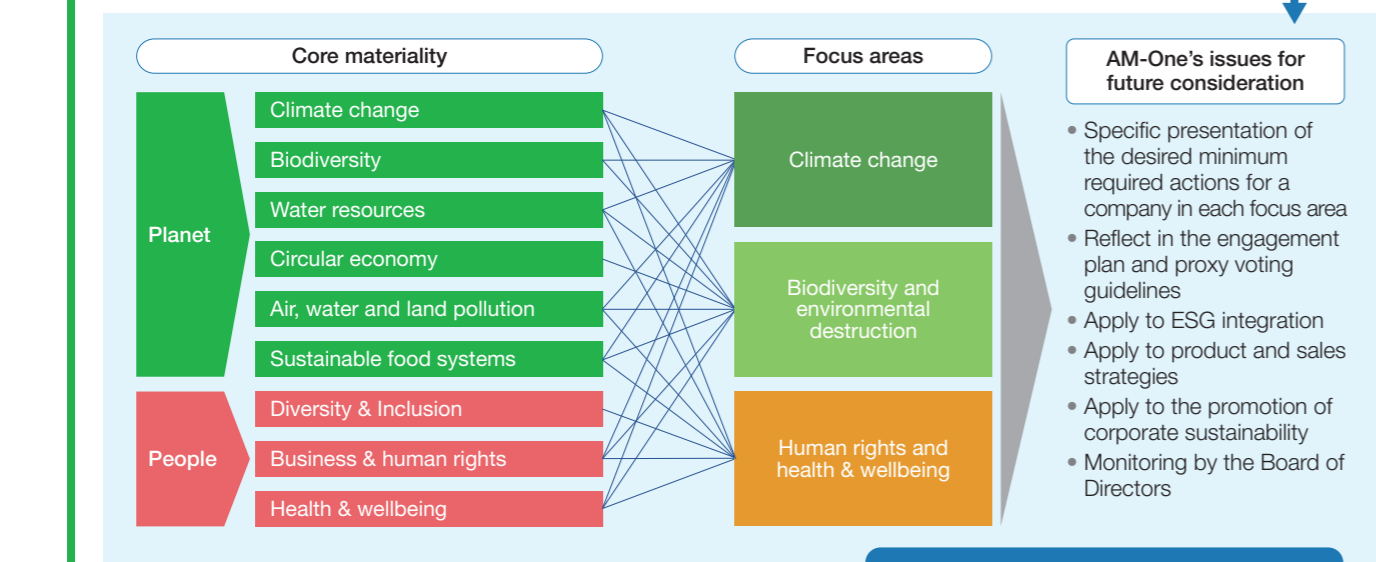
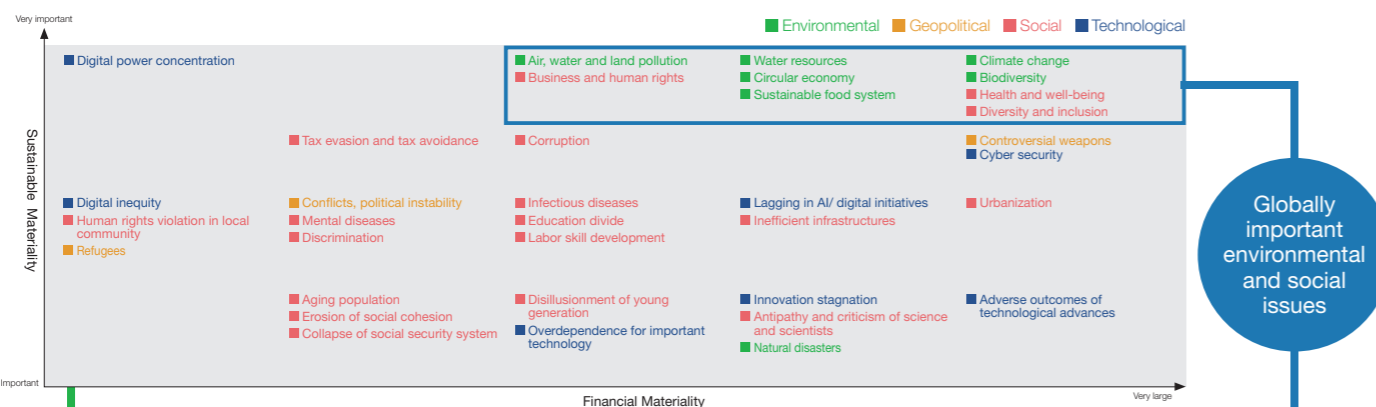


Future developments

### Dynamically capture global environmental and social issues

The nine issues recognized as core materiality have many aspects that overlap or relate between issues since they are respectively cover wide areas. Therefore, we have set three issues (climate change, biodiversity and environmental destruction, and human rights and health & wellbeing) as focus areas in light of the respective connections. All these three focus areas are not only "areas" for which we can contribute to solving the issues as an investor; the initiatives in these areas are not only issues for AM-One but common for the entire supply chain. In the future, apart from reflecting these three focus areas as an axis in engagement, exercising voting and investment decisions, AM-One will apply these focus areas to AM-One's wide-ranging business activities, including the product strategy and corporate sustainability.

In addition, the analysis from the materiality map recognizes that not only these 9 core materiality items but regional development and digital transformation are also important issues for Japan. We will have engagement dialogues regarding these issues while conducting engagement as in the past in the corporate strategy and governance disclosure items that form the basis of sustainable corporate activities, and reflect the details of such dialogues in the exercise of voting rights.



### Stakeholder engagement concerning ESG initiatives

### Dialogues and collaboration with wide-ranging stakeholders to solve social issues and achieve a sustainable society and economy as well as wellbeing

Stakeholders	Opportunities for dialogue and communication	Overview of dialogue
Customers (asset owners, sales companies, individual customers)	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Company-run seminars</li> <li>Dissemination of information through the website and SNS, etc.</li> <li>Call center</li> </ul>	In addition to corporate customers such as financial institutions and pension funds, AM-One provides asset management products to a wide range of individual customers through sales companies such as securities firms and banks. Apart from regular meetings conducted by sales managers for corporate customers including sales companies, we proactively communicate with our customers including individual customers through the provision of information such as AM-One seminars, website and SNS.
Employees	<ul style="list-style-type: none"> <li>Town hall meetings</li> <li>In-house workshops</li> <li>Employee questionnaires and satisfaction surveys</li> </ul>	Senior management themselves hold public meetings to present the results and business policies to all employees as well as to exchange opinions with them. In addition, we strive to understand employee opinions and satisfaction levels through questionnaires via e-learning and employee satisfaction surveys. We also invite external lecturers and hold workshops concerning the environment and human rights.
companies	<ul style="list-style-type: none"> <li>Individual meetings and engagement</li> <li>Onsite meetings (factories, research facilities, etc.)</li> <li>Small group meetings</li> <li>Financial results briefings, management presentations, etc.</li> </ul>	AM-One strives to have a constructive dialogue (engagement) with the management of investee companies to share and discuss specific issues for improving corporate value. In addition, we also hold study groups for the Board of Directors and employees of investee companies to promote investee company's initiatives.
Government agencies and regulatory authorities	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Participation in policy-related study groups and task forces, etc.</li> </ul>	We conduct appropriate communication with the regulatory authorities to appropriately fulfill our fiduciary duties and stewardship activities. In addition, we actively participate and collaborate in study groups and workshops led by government agencies to solve environmental and social issues and to improve corporate governance.
Initiatives in Japan and overseas	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Small group meetings</li> <li>Seminars, webinars, etc.</li> </ul>	A single company cannot solve environmental and social issues and we believe the collaboration with wide-ranging stakeholders is important to achieve a sustainable society. From that perspective, we take the lead in initiatives as a major Japanese institutional investor such as by participating in initiatives being conducted by global investors while actively participating in their operations as well.
Civil society (NGOs, academics)	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Small group meetings</li> <li>Seminars, webinars, etc.</li> </ul>	To accurately understand environmental and social issues, we believe it is important to have a dialogue with civil society such as NGOs that are at the front line of efforts to find solutions. From this perspective, we are proactively having a dialogue with global environment and society-related NGOs. We are also conducting joint research with academics from universities and other institutions to improve AM-One's ESG initiatives and knowledge.
Business partners (securities firms, think tanks, ESG data vendors, etc.)	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Small group meetings</li> <li>Seminars, webinars, etc.</li> </ul>	We receive various information provided by securities firms, think tanks and ESG data vendors, etc. to understand the regulatory and policy trends as well as ESG related corporate initiatives. In relation to key ESG data vendors, we not only convey our request for improvements through dialogue but also monitor the systems, etc.
Shareholders (Mizuho Financial Group, Dai-ichi Life Holdings)	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Small group meetings, etc.</li> </ul>	AM-One shareholders are important stakeholders. Both Mizuho Financial Group and Dai-ichi Life Holdings are actively involved in ESG and also have lively communication with AM-One.

## Overview of Focus Areas

### Climate change

Mitigation of climate change risk requires conversion to a decarbonized society and major investment flows

#### Why we address climate change as a key issue?

According to the IPCC's Sixth Assessment Report (WG1), the human influence on global warming is unequivocal, and there is evidence of widespread and rapid change in the atmosphere, oceans, cryosphere, and biosphere. The scale of recent changes across the climate system as a whole are unprecedented over many centuries to many thousands of years. Climate change is the cause of change in water supply and increased severity of natural disasters such as heatwaves, droughts and floods. This is not only a threat to the sustained economic development, but also linked to many social problems such as a more vulnerable planet, increased disparity between rich and poor and promotion of divisions. Consequently, there is also a high correlation with many other issues and they are key issues for our sustainability.

Agreeing to the Paris Agreement, which indicated a new international framework to tackle global warming in 2015, initiatives are required to deal with climate change in terms of both "mitigation" and "adaption." There needs to be a reduction of emissions in sectors that have particularly large GHG emissions\*1, which is a cause of global warming, such as the energy supply sector, energy demand sector (transport, construction, industry) as well as the agricultural and forestry industry and land-use sector. It will simultaneously be important to change lifestyles and consumption behavior due to economic growth and rising populations which are the main factors contributing to increased GHG emissions. Companies need to respond, change and innovate in their transition to a low-carbon, decarbonized society. In addition, a change in investment flows is also required for this transition. Companies are recognizing climate change risks and opportunities and incorporating them in business strategies such as with the increase in sustainable finance and the simultaneous endorsement of the TCFD (Task Force on Climate-related Financial Disclosures). There is also heightened recognition of the importance of bringing in the funds needed for change from the perspective of increasing corporate value.

Following the announcement of climate-change-related policies such as the EU taxonomy for sustainable activities, even Japan formulated the Green Growth Strategy through Achieving Carbon Neutrality in 2050, and there are growing opportunities to increase the effectiveness of climate-change measures with the public and private sectors coming together in all sectors across the entire world. We would also like to support this transition to a resilient society through the power of investment.

\*1 Greenhouse Gas emissions

#### What society will look like when we solve these problems

-Society's sustainability increases with the mitigation of and adaption to the risk of climate change-

##### ◆ Mitigate the risk of climate change

- Decline in the ratio of fossil fuels due to the decarbonization of energy resources and spread of renewable energy
- Decarbonization in the areas of transportation and infrastructure (popularity of EV cars and hydrogen trucks, etc.)
- Reduction in CO2 emission from agricultural sector and transition to a sustainable food system

##### ◆ Adapt to the risk of climate change

- Improve preparedness and resilience to disasters (natural disasters and pandemics, etc.)
- Evolution of digital solution that uses earth observation from space

##### ◆ Decoupling of economic growth and environmental impact from population increase

- Spread of products and services that incorporate the notion of a circular economy such as zero waste from the design stage
- Consider the sustainability of water resources and a society that enables all people to access to hygienic water
- A society that enables all people to access to sufficient and adequate amount of food and nutrition

#### Risks and returns on climate change investments

##### Risks (Reducing business risks)

###### (Physical risks)

- Risk of decline in coastal real estate values due to rising sea levels, etc.
- Risk that business infrastructure will be damaged and operations suspended due to floods, typhoons, and forest fires, etc.
- Risk that industrial water will not be able to be secured at existing factories due to the increase in areas with high water stress levels
- Risk of being unable to steadily procure agricultural produce and marine products due to floods and droughts, etc.

###### (Transition risk)

- Pressure on earnings due to the introduction of regulation and tax systems such as carbon pricing
- Damage to the brand image of companies and products that do not consider climate change risk due to heightened consumer awareness

##### Opportunities (Expanding business opportunities)

- Business opportunities due to increased demand for various renewable energies
- Increased technology and services and innovation necessary to transition to a low-carbon, decarbonized society
- Increased demand for technologies and services that improve the resilience of the water infrastructure
- Increased demand for food with low environmental impact such as alternative protein foods
- Increased demand for immunization and measures to deal with infection disease, and products and services that contribute to health

#### Long-term corporate development and action required to solve these issues

##### ◆ Identify climate change risks and opportunities

Anticipate a number of climate change scenarios in line with the TCFD framework, analyze and identify the transition risk, physical risk and business opportunities for the company as a whole

##### ◆ Quantify and disclose risks and opportunities

Quantify the status of GHG emissions and anticipated risks and potentials, etc.

##### ◆ Set medium- to long-term targets for decarbonization

Set and disclose targets such as medium- to long-term carbon neutral and the roadmap and milestones

##### ◆ Draft the (portfolio) strategy to improve corporate value and conduct dialogue with stakeholders

Draft, disclose and implement a business strategy that achieves the Company's own purpose and mitigation of climate change risk and also incorporates opportunities, and conduct dialogue with stakeholders

#### Stakeholder engagement examples

##### Used participation in TCFD Consortium to encourage change across food industry

The TCFD Consortium was launched in May 2019 as a public-private initiative to promote TCFD initiatives in Japan. As a member of the Steering Committee since its foundation, AM-One has participated in compiling the TCFD Green Investment Guidance and TCFD Guidance 2.0. as well as its course of action. We used TCFD activities as an opportunity to encourage the industry to implement TCFD disclosure practices by participating in a panel discussion alongside companies from the food industry and contributing an article to a food industry magazine.

In our contribution of an article to a food industry magazine with the title "What investors seek from TCFD disclosures," we summarized the TCFD disclosures expected of companies involved in the food industry from the perspective of investors that are seeking sustainable development of society. The ability to provide a well-reasoned persuasive explanation about the risks and opportunities is important to ensure climate change is thought about as a material risk. Therefore, we provided specific comments about the specific risks and opportunities that should be considered by the food industry separating the supply chain into production and imports, processing and distribution, and sales.

For scenario analysis, we explain that there is no need for detailed analysis from the outset and that investor expectations are that if there are multiple business segments, it is fine to start from the area anticipated to be subject to the biggest impact. We not only engage with individual investee companies in this way, but also with industry groups and industry as a whole, in what we hope contributes to promoting initiatives for climate change from various angles.

#### Examples of engagement with investee companies

Climate change cannot be solved by a single company or country but is an issue that must be solved globally. As such, engagement from a global perspective will become increasingly important.

##### ■ Global Investor Cooperation

AM-One has participated as a founding member of the Climate Action 100+ since its inception in 2017 as a global initiative that encourages global investors to work together to engage companies with high levels of greenhouse gas emissions.

Climate Action 100+ introduced the Net-Zero Company Benchmark as a way of visualizing target companies' climate change initiatives. Since target companies are assessed using publicly disclosed information and uniform standards, the benchmark makes it easier to compare comparative performance and serves as a useful starting point for discussions.

As a lead investor for Japanese target companies, AM-One exchanges opinions not only with U.S. major institutional investors who are joint lead investors, but also with European institutional investors and climate change-related NGOs and encourages initiatives that suit each individual company's business model based on an assessment of the environment in which Japanese companies operate, their efforts to date, and a global requirements perspective.

In some cases, we encourage Japanese companies to promote initiatives based on the benchmark by, for example, discussing the consistency of the industry associations and other groupings to which they belong with the Paris Agreement. We intend to continue using the benchmark in our engagement and to keep working with global investors to encourage further initiatives by investee companies.



Asset Management One—Net zero initiatives

Joined the Net Zero Asset Managers initiative, which has a goal of net zero by 2050, since its inception in December 2020

# NET ZERO ASSET MANAGERS INITIATIVE

The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

**128 signatories**  
**\$43 trillion in assets under management**



Asset Management One is a founding member of the “Net Zero Asset Managers initiative,” an initiative of global asset managers aiming to reduce the emission of greenhouse gas (“GHG”) to net zero, which was launched on December 11, 2020. We are supporting the operations of the initiative. AM-One is a member, and the only one from Asia, of the Advisory Group, which consists of six global asset management companies and informs the Steering Committee.

The number of signatories has grown from the initial 30 when founded to 128 only 7 months later in July 2021 with total AUM of approximately US\$43 trillion (more than 40% of global AUM), indicating the acceleration in initiatives and desire of investors to achieve net zero.

Net Zero Asset Managers Initiative

Steering Committee

Consists of the following six network partners

- AIGCC (Asia Investor Group on Climate Change)
- IIGCC (The Institutional Investors Group on Climate Change)
- IGCC (Investor Group on Climate Change)
- Ceres
- CDP
- PRI

Advisory Group

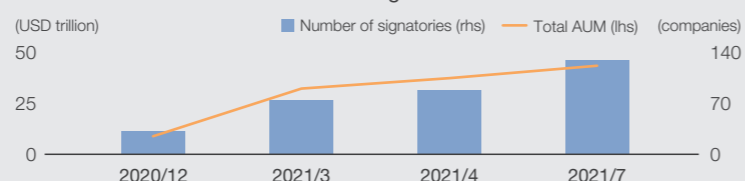
Consists of six global asset management companies including AM-One, selected from signatories and informs the Steering Committee in its management and coordination of the initiative.



Signatories (as at July 2021): 128

- The number of signatories has grown from the initial 30 to 128 by July 2021
- Total AUM of signatories was US\$43 trillion as at July 2021, accounting for more than 40% of total assets under management (AUM) globally

The increase in the number of NZAM signatories and total AUM



## What can asset management companies do to solve climate change issues? — Asset Management One’s approach to “net zero”

■ Towards Net Zero

The global efforts to achieve net zero GHG emissions by 2050 in order to limit the increase in temperature to 1.5°C above pre-industrial levels have accelerated, as the impact of climate change becomes evident in various forms. In October 2020, the Japanese government declared a target of net zero by 2050 following a similar statement by the EU. In Asia, South Korea and China have also set a target for net zero. In the U.S., the Biden administration rejoined the Paris Agreement and convened the Leaders Summit on Climate in April. The IPCC’s Sixth Assessment Report, released in August, noted that the human influence on global warming is unequivocal and that the pace of warming is faster than anticipated. So, the global efforts towards net zero will likely further accelerate.

As a responsible investor, we believe that striving for the assets being managed by AM-One to align with the net zero target, amid the need to build a sustainable society, is essential to solve societal issues and to help capture new business opportunities in the transition to a sustainable society.

■ What can asset management companies do?

Climate change is an urgent global issue and is a major challenge interconnected with various other issues. It is essential for all stakeholders, including governments, companies and consumers, to work together to resolve it. We believe that all players in society need to play their respective roles with initiatives that use all strengths.

■ Participation in the Net Zero Asset Managers initiative (NZAM) and setting an interim target

The Net Zero Asset Managers initiative (NZAM), an initiative of global asset management companies that aims for net zero greenhouse gas emissions by 2050, was launched in December last year. Thinking about what asset management companies can do to solve climate change issues, AMO supported the idea that global asset management companies should join together for such purpose and start to take steps towards a solution. Agreeing with the philosophy, AMO joined as a founding member.

NZAM’s key commitments are as follows.

- ▶ AM-One commits to support the goal of net zero greenhouse gas (GHG) emissions by 2050, in line with global efforts to limit warming to 1.5°C (“net zero emissions by 2050 or sooner”). It also commits to support investing aligned with net zero emissions by 2050 or sooner.
- ▶ Work in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management (AUM)
- ▶ Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner
- ▶ Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.

As an interim target for 2030, AM-One aims to commit 30 trillion yen (\$273 Billion) worth of investment assets out of our total AUM (57 trillion yen as of the end of March 2021) to align with the net zero scenario. This is a highly ambitious target, and the firm will continue to endeavor to meet its net zero goals.

■ Specific measures and actions by AM-One

AM-One is committed to collaborating and working with all other players in the investment chain to accelerate the transition of society towards net zero, especially in the following three areas.

1. We will proactively and continuously engage with our clients, with the aim to increase the amount of investment assets in AM-One portfolios that align with the net zero initiative. This includes both active investment strategies, and passive strategies. We plan to further launch active strategies that set clear important objectives for society and invest in companies able to increase their enterprise value whilst working to solve these objectives. From both quantitative and qualitative perspectives, we will assess investee companies and direct capital to support those companies that demonstrate an active commitment and make solid progress in achieving the net zero goals. For passive strategies, in addition to index tracking funds, we are also planning to launch passive products with a focus on engagement to encourage a wider range of companies to act and make the transition towards net zero. This approach will enable AM-One to raise awareness and drive action across the entire market, including companies that have not yet taken the necessary steps, as well as those companies that are already working towards the net zero goals.
2. Through our continuous engagement with investee companies, we are more proactively encouraging and influencing investee companies to transform their business models towards sustainability and decarbonization. With an aim of advancing towards net zero in wider society and in the market as a whole, rather than simply divesting from the companies that are not fully aligned with the net zero scenario yet at this stage, our priority is to actively and continuously engage with these companies to seek to bring about improvement and positive changes. However, where there is no evident progress despite this engagement, in exercising our voting rights, we will consider opposing the proposed election of board directors at the respective companies.
3. We will continue working and engaging with policymakers and other related organizations to strengthen ongoing efforts towards achieving the net zero goals by 2050. AM-One actively participates in climate change and environment-related study groups and initiatives established by the Ministry of Economy, Trade and Industry and the Ministry of the Environment. Through such forums, we will continue to contribute to the efforts and progress made by the entire investment chain.

We hope to continue collaborating with clients, investee companies, the governments and related institutions as well as other global asset managers so that society as a whole works towards solutions.



## Our approaches to the TCFD

### Governance

#### Disclose the organization's governance around climate-related risks and opportunities

**TCFD disclosures** Describe the board's oversight of climate-related risks and opportunities  
Describe management's role in assessing and managing climate-related risks and opportunities

Asset Management One recognizes climate change to be a threat to the environment, society, people's lives and corporate activities and to be the most important global issue that could also impact the stability of the financial markets. We support the Paris Agreement's aim "to strengthen the global response to the threat of climate change."

We have established initiatives for business activities that respond to climate change and to reduce our own environmental impact in our "Environment Policies" which are the core of our environmental initiatives and in our "Basic Policy on Sustainability Initiatives," which prescribes the key matters for sustainability. We actively conduct dialogue with asset owners, research institutions and international NGOs to better understand global environmental and social issues in a timely manner and to identify the direction of our initiatives. Following such dialogues, we produced the materiality map with AM-One's own axis as a guideline and will reflect this in all our AM-One business activities with the aim of solving identified issues.

The Board of Directors approves key matters concerning the AM-One Group's sustainability, including climate change, and the President & CEO oversees AM-One's sustainability initiatives.

In addition, the Sustainability Advisory Board including outside experts, which was established as an advisory body to the Board of Directors in July 2021, provides its opinions to the AM-One board concerning medium- to long-term ideas and policies on sustainability matters.

### Strategy

#### Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

**TCFD disclosures** Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term  
Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning  
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2oC or lower scenario

Physical risks such as serious natural disasters caused by climate change are materializing, and transition risks have also increased amid stricter climate change-related regulations including a carbon tax in some countries prompted by the heightened interest of civil society in decarbonization. On the other hand, there are opportunities for value creation through business expansion and improved reputation for companies providing technologies and services that mitigate climate change and companies that actively implement initiatives in their business operations.

In light of the above, AM-One considers the "response to climate change" to be an important issue for business strategy and we are implementing the following initiatives to actively fulfill our role as an asset manager in achieving a decarbonized society (net zero GHG emissions) for 2050 and to build a society with resilience towards climate change.

- ▶ We aim to create finance flows to achieve the Paris Agreement goals of curbing the global warming and to steadily build up investment portfolios consistent with the Paris goal. In addition, we commit to the aim of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C, through participation in the Net Zero Asset Managers initiative (NZAM).
- ▶ We actively conduct engagement (constructive dialogue) to drive climate change actions and support transition to a decarbonized society to meet the objectives and needs of respective clients over the medium- to long-term.
- ▶ We actively develop and provide financial products and services to support clients' climate change response and transition to decarbonization.
- ▶ Recognizing the importance of climate-related financial disclosures, we continuously strengthen our initiatives for growth opportunities and risk management utilizing the TCFD recommendations, and be transparent in reporting on the progress.
- ▶ We strive for initiatives such as the use of sustainable energy resources in our own business activities, pollution prevention and green procurement to reduce our environmental impact.

### Risk Management

#### Disclose how the organization identifies, assesses, and manages climate-related risks

**TCFD disclosures** Describe the organization's processes for identifying and assessing climate-related risks  
Describe the organization's processes for managing climate-related risks  
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

We actively conduct dialogue with asset owners, research institutions and international NGOs to better understand global environmental and social issues in a timely manner and to identify the direction of our initiatives. Following such dialogues, we produced the materiality map with AM-One's own axis as a guideline and will reflect this in all our business activities with the aim of solving identified issues. In this process of identifying materiality, we recognize that climate change is a globally important issue. ESG analysts from the Responsible Investment Group and analysts from the Investment Division assess climate change related risks and opportunities at investee companies, utilizing information from external providers and our own proprietary research as well as insights from engagement and company disclosures, and conduct continuous engagement dialogues with focus companies as necessary.

In addition, AM-One actively participates in various collaborative initiatives in Japan and globally (such as the TCFD Consortium of Japan and the Climate Action 100+), working together with other investors and stakeholders. As a major Japanese asset manager, we are committed to taking a leadership role in tackling climate challenges and implementing solutions.

This research and engagement information, together with quantitative information such as GHG emissions and ESG scores, is also shared with fund managers and analysts in the Investment Division and used for investment decisions and voting considerations. ESG engagement activities, including on climate change, are reported to the Responsible Investment Committee.

### Metrics and Targets

#### Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

**TCFD disclosures** Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process  
Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks  
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

- ▶ We calculate and analyze our in-house investment portfolios in Japanese equities, Japanese bonds, foreign equities and foreign bonds with GHG emissions-related indicators (total GHG emissions, carbon footprint, carbon intensity, weighted-average carbon emission factor) and other climate change risk related indicators using the methodologies of external information provider (ISS-Climate).
- ▶ We joined the Net Zero Asset Managers initiative (NZAM) and are committed to supporting the goal of net zero greenhouse gas (GHG) emissions by 2050 in line with global efforts to limit warming to 1.5°C. We are also committed to supporting investment aligned with net zero emissions by 2050 or sooner.
- ▶ We work in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management (AUM).
- ▶ We have set an interim target for 2030 for the proportion of assets to be managed in line with the net zero scenarios.
- ▶ We will review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.

## Portfolio Analysis based on TCFD

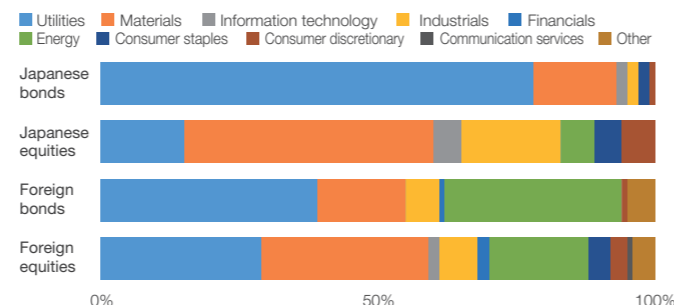
### Analysis of major indicators such as total GHG emissions

The results of climate-related risk indicators, such as the total GHG emission\*1 and the weighted average carbon intensity\*2, are showing that our investment portfolios managed in-house for both equities and fixed income assets are well-positioned to have a lower risk exposure in comparison to their respective benchmarks. Meanwhile, a breakdown of total GHG emissions by sector reveals that the utilities and materials sectors account for a significant amount of the total GHG emissions in all four asset categories. Therefore, we hold more intensive engagement dialogues with relevant companies in these sectors, seeking enhanced efforts to reduce GHG emissions and to accelerate a shift towards renewable energies.

#### Climate-related risk indicators: AM-One portfolio vs Benchmarks

	Total GHG emissions*1		Weighted average carbon intensity*2	
	(Scope 1-3 million t CO <sub>2</sub> e)		(t CO <sub>2</sub> e/ million yen)	
	AM-One	BM ratio	AM-One	BM ratio
Japanese bonds	5.10	50%	247.25	64%
Japanese equities	47.10	92%	86.67	98%
Foreign bonds	1.68	85%	205.90	99%
Foreign equities	8.20	52%	116.52	67%

#### Breakdown of GHG emissions by sector



Benchmark (BM)  
 Japanese bonds: corporate bond composites only within NOMURA-BPI (all composites)  
 Japanese equities: TOPIX (total return)  
 Foreign bonds: corporate bond composites only within Bloomberg Barclays Global (all composites)  
 Foreign equities: MSCI ACWI ex Japan

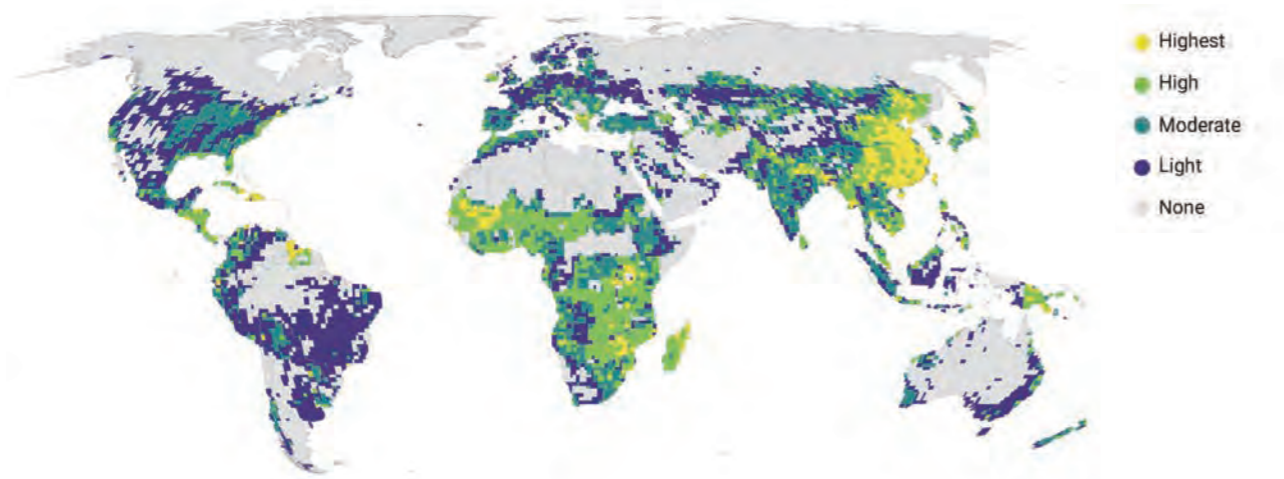
\*1 Total GHG emissions: portfolio-related greenhouse gas emissions (CO<sub>2</sub> converted ton). Using AM-One holdings relative to the adjusted enterprise value (market capitalization + interest-bearing debts) when calculating  
 \*2 Weighted average carbon intensity: the weighted average of GHG emissions (Scope 1 and 2) per sales for each company weighted by each company's weight in the portfolio

### Climate change related risks

#### Physical risks

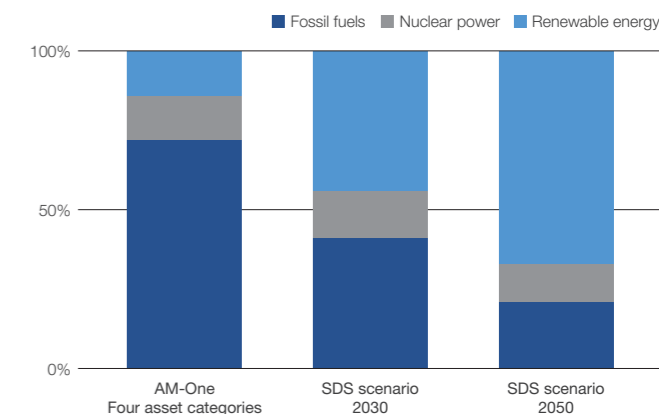
Using a bottom-up approach, the analysts in the Investment Division assess the materiality and significance of physical risks caused by extreme weather events, etc. on investee companies. In addition, the physical risks of the portfolios up until 2050 analyzed by AM-One using the ISS-Climate methodologies are as follows. This map emphasizes the areas where the impact of physical risks such as tropical cyclones, river floods, bushfires, drought, and heat stress are growing.

#### Physical risk exposure per geography



#### Transition risks

With regards to transition risks, in order to analyze the potential future costs to be incurred by energy transformation or other factors, we compared the energy mix between a hypothetical investment portfolio of four assets at AM-One and the targets under the Sustainable Development Scenario (SDS)\*3 outlined in the IEA's World Energy Outlook 2019 for 2030 and 2050 respectively. As a result, due to the high weighting of fossil fuels, we recognized the importance of taking further actions to promote the use of efficient energy and the proliferation of renewable energy.

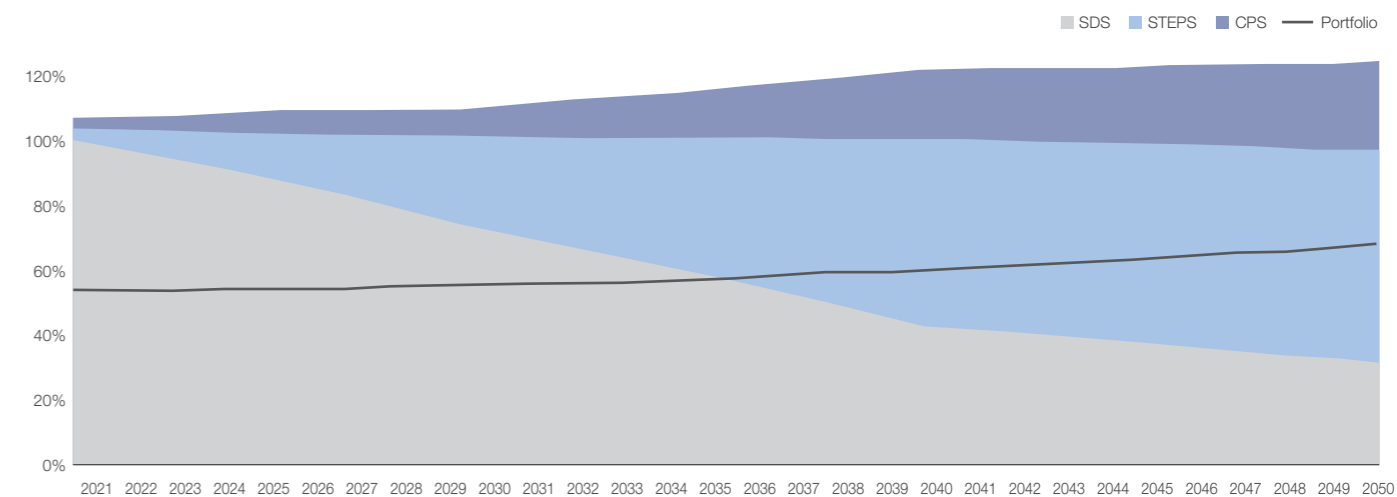


\*3 Sustainable Development Scenario (SDS)  
 A scenario aligned with the Paris Agreement objective of "holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit the temperature increase to 1.5°C" which was adopted at the twenty-first Session of the Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change in December 2015.

### Scenario analysis

Using the ISS Climate methodologies, we generated a forecast for the investment portfolio's total GHG emissions through 2050. We then compared it with the respective carbon budgets (GHG emission allowances) under the three scenarios (Sustainable Development Scenario (SDS), State Policies Scenario (STEPS)\*4 and Current Policies Scenario\*5) outlined in the IEA's World Energy Outlook 2019.

The results indicated that the current GHG emissions of our hypothetical portfolio of four assets have appeared to be lower than the carbon budget for any of the scenarios. However, given the emission allowances would decrease as the temperature rises under the scenario, the portfolio's carbon emissions would likely exceed the carbon budget limit set under the SDS scenario by 2036. As such, we are committed to continuously promoting decarbonization in our portfolios through active engagement with investee companies to achieve net zero GHG by 2050.



\*4 Stated Policies Scenario (STEPS)  
 A scenario which assumes that governments carry out policy initiatives to deal with global warming that they have already announced in addition to policies they are currently implementing.  
 \*5 Current Policies Scenario (CPS)  
 A scenario under which countries continue, but make no changes to, their current policies.

## Biodiversity and environmental destruction

To restore biodiversity, we need to transition away from an economic system that imposes a burden on the global environment as population increases

### Why we address biodiversity and environmental destruction as a key issue?

The 2010 Convention on Biological Diversity “Aichi Biodiversity Targets” by 2050 advocated for a long-term target of “Living in harmony with nature”. However, our social and economic activities of mass production, mass consumption and mass waste have lacked consideration of biodiversity and the natural environment, which resulted in approximately 70% of biodiversity (species) loss in just the past 50 years. Amid the various disasters and changing environments such as advancement in global warming, forest fires, floods and the spread of viruses, there has been a substantial decline in the resilience, adjustability and adaptability to change for forests, oceans and living things that were nurturing biodiversity. In addition to the protection of endangered species and restoration from environmental pollution, there is no time to waste in transition from an economic system that imposes a burden on the global environment as population increases and in transition to a social and economic system that incorporates consideration of the sustainable use of nature. The loss of biodiversity and environmental destruction are interconnected to climate change and they also have high correlation with many other issues such as the sustainable food system and circular economy as solutions.

The Post-2020 Global Biodiversity Framework announced by the United Nations in 2020 encouraged the setting of numerical retention targets and proactive corporate initiatives. Companies are expected to examine timely the impact of their activities on biodiversity and the environment in the supply chain. An increased awareness of the global environment requires companies to consider the overall lifecycle of services including procurement, production and consumption, and they need to recognize the delay in actions could harm corporate value. Conversely, there are also great opportunities for pioneering innovation and services to acquire new markets. We also take a bird's eye view of the entire value chain for corporate activities and can contribute to solving related issues through detailed and continuous discussions with companies, to support the transition to an economic system that lives in harmony with nature through the power of investment.

### What society will look like when we solve these problems

—Transition to a system that restores the adaptability and vitality of both natural capital and the social economy—

- ◆ **Achieving food production to satisfy rising population and sustainable use of land and ocean**
  - Preventing land exhaustion from random deforestation and overuse of chemical fertilizers
  - Developing agroforestry and forest resource management
  - Increasing agricultural productivity and efficiency using precision agriculture
  - Conserving marine resources and promoting the sustainable development of fisheries industry through planned marine resource management and broader aquaculture
- ◆ **Transition to an urban infrastructure where natural capital and society can coexist**
  - Shift to smart cities that seek to coexist with nature from the urban design stage, use recycled resources, and rely on recycling and energy-saving systems
  - Develop a society built on values that support products made from sustainably procured raw materials and works to install mechanism and initiatives to reduce food loss
- ◆ **Production activities and innovation from a sustainable resource use perspective**
  - Reduced reliance on finite energy and mineral resources
  - Providing products and services that incorporate cyclical resource use from the design stage

### Investee companies' risks and returns regarding biodiversity and environmental destruction

Risks (Reducing business risks)	Opportunities (Expanding business opportunities)
<ul style="list-style-type: none"> <li>• Unable to manufacture products, procure materials, or continue operations in biodiversity-sensitive areas due to regulations</li> <li>• Unable to continue operations due to depleted raw materials and fragmented supply chain</li> <li>• Higher cost and increased volatility due to soaring resource prices</li> <li>• Higher costs fueled by stricter regulations on waste products</li> <li>• Reputation risk with consumers avoiding a company's products due to a lack of consideration for biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>• Improved market competitiveness through building a strong supply chain that considers biological resource conservation</li> <li>• Creation of new technologies and markets for solving environmental issues, such a water quality and air pollution</li> <li>• Cost savings on waste management, energy consumption, and manufacturing</li> <li>• Stable raw materials prices and improved supply chain resilience resulting from lower dependence on primary resources</li> <li>• Capture new demand by offering environment-conscious products and services</li> </ul>

### Long-term development and actions required for companies to solve these issues

- ◆ **Understand the current state of the entire supply chain**

Check how the company's economic activities (across the whole supply chain including suppliers' activities) affect biodiversity and the natural environment and verify business continuity risks by examining if any operations are located in specific sensitive areas from wildlife, forest, fishery resources, and marine ecosystem conservation perspective
- ◆ **Formulate policies**

Define specific KPIs for a PDCA cycle on formulating management policies that consider corporate activities and biodiversity, and introducing a robust governance system of oversight at the board
- ◆ **Formulate scenarios, targets and roadmap and share with investors**

Share scenarios, targets and roadmaps with investors, amid the development of TNFD and SBTN frameworks
- ◆ **Incorporate in corporate strategy and business activities, and conduct dialogue with stakeholders**
  - Get proactively involved in sustainable platforms that promote transition to business models based on scenario analysis, a shift to sustainably procured raw materials, resource saving, and lower waste (preferential allocation of capital and R&D expenditure into these areas)
  - Engage and collaborate with a wider range of stakeholders (as regulations and a higher consumer awareness are also required)

### Stakeholder engagement examples

#### ■ Dialogue with World Wide Fund For Nature Japan (WWF Japan)

Founded in 1961, the World Wide Fund for Nature (WWF) promotes environmental conservation in 100 countries worldwide. It quantifies and visualizes issues using the Living Planet Index and water footprint, and actively cooperates with multiple stakeholders to improve the natural environment. During the course of the dialogue, we discussed the WWF's current focus initiatives on climate change and decarbonization and shared the sense of crisis regarding biodiversity loss.

With regards to biodiversity and the development of the Taskforce on Nature-related Financial Disclosures (TNFD) and Science-Based Targets (SBTs) for Nature Initial Guidance for Business, we discussed Japanese companies' level of awareness as well as the elements that investors need to better understand in order to help arrest ongoing biodiversity degradation, and what leverage points investors have for directing capital flows to bring about changes.

### Example of engagement with investee companies

#### Dialogue summary

We encouraged a major fisheries manufacturer to expand its sustainable seafood handling in consideration of biodiversity conservation, fishing resource sustainability, and environmental and social impact, and to proactively disclose information.

#### Dialogue content

We appreciated the company's efforts to obtain the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) certification based on sustainable procurement practices and marine resource conservation. We encouraged the company to improve related disclosures and to exert leadership as one of the world's top fisheries companies.

#### Response of the investee company

The company reassured that it will consider improving disclosures regarding the status of MSC and ASC certified products. Increasing sustainable seafood handling requires measures across the entire supply chain that extend beyond the industry. The company confirmed its commitment to a greater leadership in this regard.

#### Direction of future dialogues

In addition to closely monitoring future disclosures and other initiatives, AM-One plans to strengthen engagement with the company and other major fisheries companies, major retail chains, and relevant government ministries to help realize sustainable seafood.

## Human rights and health & wellbeing

To achieve a sustainable society, there needs to be a society that gives a real sense of wellbeing and respect for the human rights of all people

### Why we address human rights, health and wellbeing as a key issue?

Discrimination and prejudice against gender, age, race, ethnicity, religion, etc. are violations of human rights, leading to wider economic, social and political inequality as well as confrontation and instability in the social infrastructure. In addition, in the transition to a sustainable society, the thinking that has been based on past logic and systems needs to change with reexamination of the sense of values concerning "What is affluence and happiness?" A real sense of inclusion for diverse values and every individual's wellbeing (a state where the demonstration of one's own individuality can be fulfilled at work and in the local community with a healthy body and mind) is the foundation for achieving a sustainable society.

The Guiding Principles on Business and Human Rights (Ruggie Framework) adopted by the United Nations in 2011 states that companies have an obligation to respect the standards of international human rights. Globalization has resulted in the realm of corporate activities expanding beyond sovereign borders, and simply having the state fulfill its obligation to protect human rights is inadequate, so now companies also need to be responsible for protecting human rights.

Companies need to adequately understand the risks that human rights violation could significantly damage the opportunities and future of a victim's life. Furthermore, adequate consideration of human rights is ultimately the foundation for protecting the brand and consolidating the business operations. Public concerns about human rights violation in areas such as child and forced labor in developing countries with weak human rights protection systems have increased and companies need to make proactive efforts to respect and protect human rights in the entire supply chain. In addition, when thinking about "business and human rights," it is not enough to simply eradicate illegal work, harassment and gender inequality. During this major period of transformation in the social system, formulating highly innovative and original strategies is the foundation of competitive advantage and this starts with the promotion of diversity & inclusion. Creating an environment where all employees have a real sense of wellbeing, including measures for the health and safety of body and mind, the acquisition of new skills and working-style reforms, provides the energy for improving corporate value.

We will also strive to promote the realization of a society where there is a real sense of wellbeing and respect for human rights through the power of investment while cultivating such corporate culture at AM-One as well.

### What society will look like when we solve these problems

—A society which gives all people a real sense of wellbeing without feeling that their lives are in danger nor being concerned or fearful about their health—

#### ◆ A society that achieves both respects for human rights and economic growth

- Sustainable procurement that considers human rights in the supply chain (food ingredients such as palm and cocoa plantations, mineral resource extraction, cotton plantations and apparel, IT industry)
- Abolish forced labor and make fair payments to recompense labor based on freewill
- Ensure future quality human resources through the provision of educational opportunities
- Basic protection of indigenous peoples' rights to livelihoods in development areas

#### ◆ Increase social vitality through the realization of diversity and inclusion

- Exclude discrimination and prejudice based on gender, age, race, ethnicity, and religion, etc., and fair evaluation
- Respect diversity with mutual recognition
- Inclusion with the equal involvement of diverse people while recognizing individual experience, skills and approaches and without giving a sense of leaving someone out

#### ◆ Achieve health and wellbeing

- Improve access to medical care and healthcare to maintain health (including advanced medical care and remote medical care)
- Provide appropriate educational opportunities for all generations
- Build a community that people also feel content physically, mentally and socially with their wellbeing, not only living without illness
- Improve the QOL (Quality of Life) for senior citizens including sense of purpose in life and work

### Investee companies' risks and returns regarding human rights, health, and wellbeing

#### Risks (Reducing business risks)

- Risk of strikes and exodus of human resources if the violation of human rights is neglected
- Decline in brand image and reputational risk if human rights response is inadequate
- Decline in internal vitality due to passive efforts for diversity & inclusion
- Shortage of human capital and reduced efficiency due to a lack of consideration given to employees' intrinsic motivation and work environment
- Risks for funding due to lower brand image and avoidance of investment by handling products that are harmful to health

#### Opportunities (Expanding business opportunities)

- Acquire excellent human resources and create innovation through advanced diversity & inclusion initiatives
- Expand presence in ethical consumption market through upholding and protecting human rights
- Secure excellent human resources and improve productivity by enhancing labor standards and health and safety aspects
- Gain business opportunities by providing access to healthcare market and medical services
- Improve brand image through health-conscious products and marketing

### Long-term development and actions required for companies to solve these issues

#### ◆ Respect human rights in the company and in the supply chain

- Signatory to or endorsement of the United Nations Global Compact (UNGC) or the OECD Guidelines for Multinational Enterprises
- Implement human rights due diligence  
The commitment and accountability of senior management is important (human rights due diligence includes the formulation of human rights related policies, assessment of the impact that corporate activities have on human rights, the establishment of relief and mechanisms to process grievances about human rights violation, and the assessment and disclosure of results)

#### ◆ Promote diversity & inclusion

- Formulate policies through the commitment of senior management
- Reflection of skills map and diversity in senior management levels and supervisor levels  
It is important to have measures that lead to the creation of innovation and increased corporate value, not only increasing the proportion of females and considering minorities, but enhancing the adaptability of strategies and the skills of senior management
- Promote inclusion  
Improve employee engagement through the implementation of an inclusion program and education

#### ◆ Reflect on a specific corporate strategy for achieving health and wellbeing

- Formulate and disclose management policies for improving access to medications (particularly for the healthcare sector)
- Innovate to improve the quality of advanced medical care and remote medical care
- Initiatives for the healthcare market that consider the outlook of the aging society
- Initiatives to solve food problems related to issues such as malnutrition and obesity
- Appropriate marketing activities for addictive health-damaging products such as alcohol and tobacco

### Stakeholder engagement examples

#### ■ Dialogue with Corporate Human Rights Benchmark (CHRB)

CHRB is an international initiative established by institutional investors and human-rights NGOs that offers a unique framework for "quantifying human rights" by assigning scores to over 200 global companies. In the dialogue, we shared thoughts on human rights issues occurring in company supply chains in emerging countries and discussed ways to encourage companies to implement human rights due diligence in their supply chains.

#### ■ Dialogue with Human Rights Watch (HRW)

HRW is an NGO that advocates the establishment of laws and systems by governments and engages with companies seeking to prevent human rights abuses before they occur or to prevent reoccurrence.

We exchanged views on a wide range of topics, including how to approach companies with human rights concerns in their supply chains, diversity & inclusion issues including LGBT minorities and people with disabilities, human rights issues on the internet, and working together with the government and business community.

### Examples of engagement with investee companies

#### Dialogue summary

We encouraged a major electronics manufacturer to strengthen its monitoring systems for human rights issues in its supply chain, including the second and subsequent-tier suppliers, after an NGO highlighted child labor concerns in its supply chain in the past year.

#### Dialogue content

We discussed to ensure that the company recognizes its responsibility to manage its supply chain and that failure to do so could result in brand loss and declining corporate value. We examined its vigorous efforts on supplier management systems and the introduction of joint inspections with its peers. We also urged the company to further address issues such as human rights, working environments, and health and safety, especially at second and subsequent-tier suppliers.

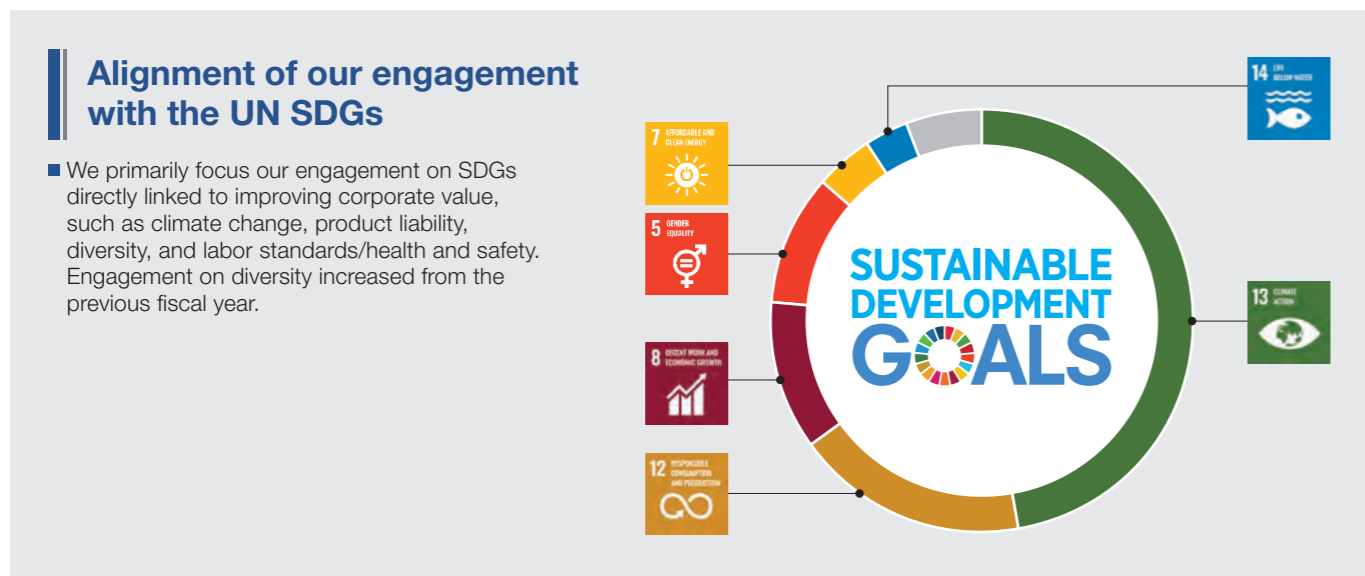
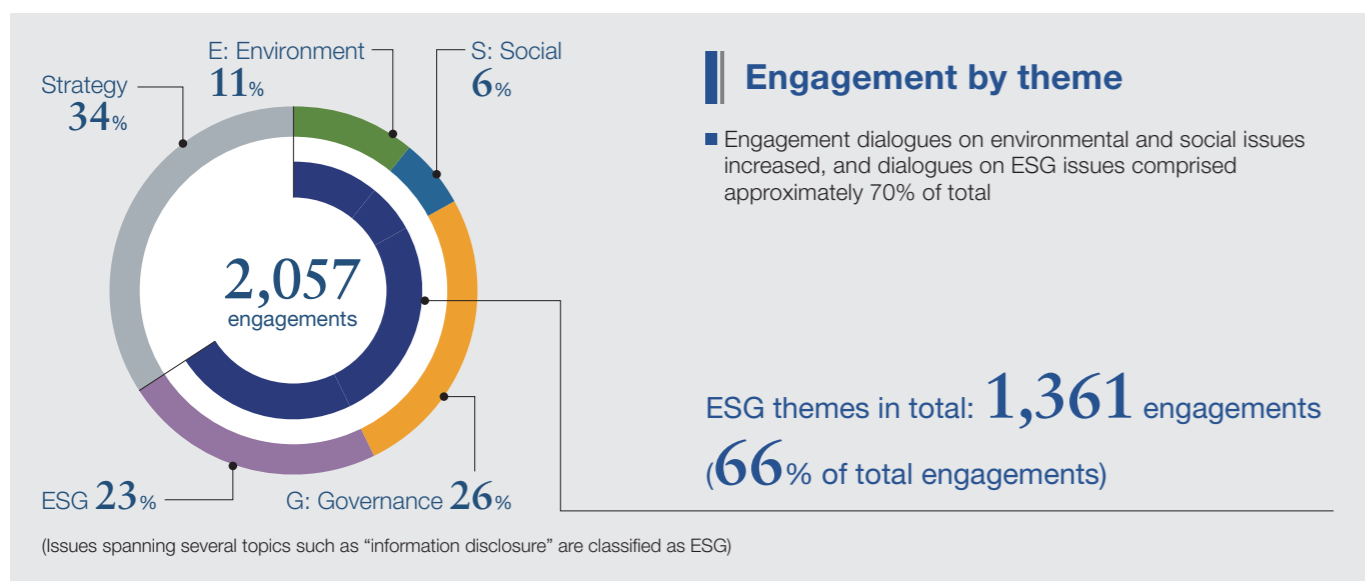
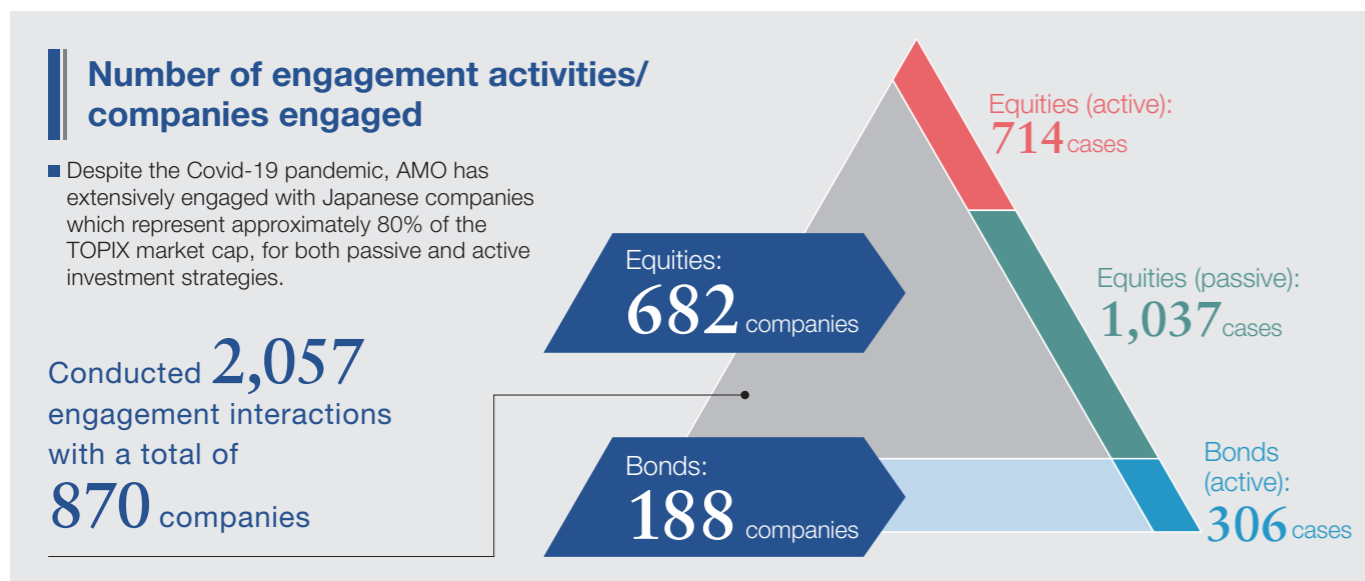
#### Response of the company

The company confirmed that, in principle, its supply chain management focused on direct contact with primary suppliers and then getting primary suppliers to ensure second and subsequent-tier suppliers follow suit. However, if the primary supplier is a trading company, the company conducts direct assessments of manufacturing sites to ensure nothing is overlooked.

#### Direction of future dialogue

We are getting the company to strengthen its monitoring systems, including proactive assessments of second and subsequent-tier suppliers. We intend to use this as a reference case for encouraging other global companies to strengthen their human rights due diligence.

## Outcomes of Engagement Activities in Japan



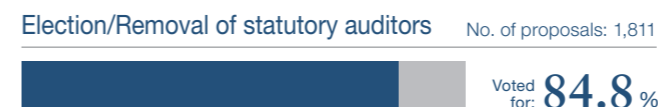
## Exercise of Voting Rights (Voting activities: July 1, 2020 – June 30, 2021)



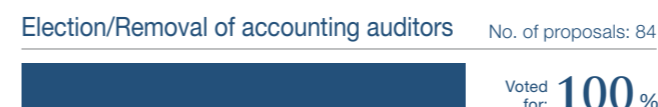
(Proposals related to corporate organization)



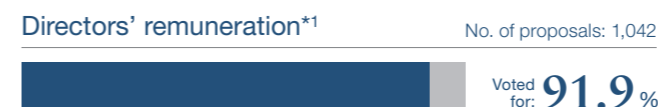
We determine whether to vote for or against proposals based on whether the company is performing at or above a certain standard and whether it has established systems to ensure that management is appropriately executed and supervised. In addition to performance criteria, we focus on the composition of the board of directors (size and number of outside directors), the independence of outside directors, and attendance of board meetings, etc.



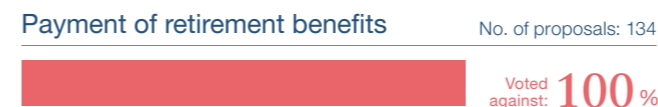
We determine whether to vote for or against proposals based on whether the company has established systems to hold management accountable in an appropriate manner. We review the independence of outside auditors and their attendance of board of statutory auditors meetings, etc.



(Proposals related to directors' remuneration)

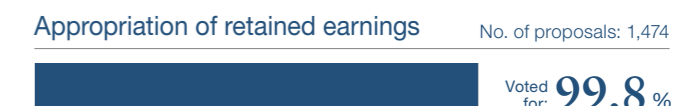


We believe that it is desirable to establish appropriate remuneration systems, including incentives, in order to maximize shareholder profits. Accordingly, in the case that executive bonuses and performance-linked remuneration for officers are also paid to statutory auditors or directors who are Audit and Supervisory Committee members, who are positioned to oversee management performance and hold management accountable, we vote against the proposal.

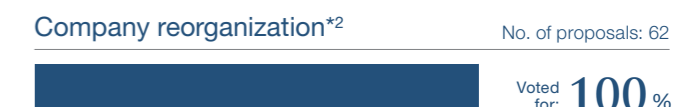


The number of proposals regarding retirement benefit systems is declining significantly, as many companies are choosing to abolish such systems as they review their executive compensation systems. We are also opposed to such systems in principle, as we believe that they are incompatible with the objective of maximizing medium to long-term shareholder profits.

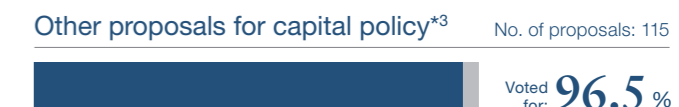
(Proposals related to capital policy)



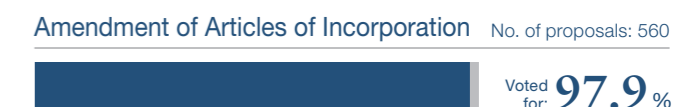
We vote against the level of shareholder returns if they are too low (or too high), based on the financial position and other factors. However, as during the previous year, we continue to adopt a flexible approach in light of the impact of the Covid-19 pandemic.



As a result of stricter criteria for judging proposals implemented from April 2020, the ratio of opposition to companies renewing takeover defense schemes increased from last year.



(Other Proposals)



Although we vote in favor of proposals in principle, we vote against proposals we do not deem appropriate from a shareholder perspective, such as a significant expansion in the total number of shares authorized to be issued, or limitation of the scope of responsibility of accounting auditors.



\*1 "Directors' remuneration" includes revision of the amount of directors' remuneration, stock acquisition rights, performance-linked remuneration and a

\*2 "Company reorganization" includes the merger, transfer or acquisition of business, share exchange, share transfer and company split, etc.

\*3 "Other proposals for capital policy" includes share repurchase, legal reserve reduction, capital increase through third party allotment, capital reduction, reverse stock split, and issuance of class shares.

## Topics for Our Stewardship Activities

### Topics Collaboration with government agencies

Government agencies	Presiding ministry	Overview	Status of AM-One's initiatives
The Study Group on Ideal Approaches to Processes Involving Shareholder Meetings in the New Era	Ministry of Economy, Trade and Industry	A study group focusing on the role of General Meeting of Shareholders as a forum for constructive dialogue between companies and their shareholders/investors and as a decision-making body, and studies the improvement of shareholder meeting environment, including the use of virtual tools.	Terasawa, head of the Responsible Investment Group, participated as a committee member. Submitted proposals on issues and solutions related to the electronic exercise of voting rights. Promoted adoption of electronic voting, with this content included in the final report.
Circular Economy and Resource Circulation for Plastics Finance Study Group	Ministry of Economy, Trade and Industry	A study group to investigate a framework that enables companies actively involved in the circular economy and plastic resource circulation to be appropriately evaluated and to attract investment and loans from domestic and foreign investors.	Executive ESG analyst Sakuramoto participated as a committee member. Contributed to formulation of the "Disclosure and Engagement Guidance to Accelerate Sustainable Finance for a Circular Economy"
Food Tech Study Group	Ministry of Agriculture, Forestry and Fisheries	A study group that aims to develop "next-generation food systems" by utilizing cutting-edge food related technologies such as alternative proteins, as well as to reduce Japan's food security risk.	ESG analyst Ikehata participated in this study group. Submitted opinions from an investor's perspective on topics such as trends in the formulation of ESG information disclosure standards related to alternative proteins.
Study Group on Information Disclosure to Attract ESG Investment in Japan's Biotechnology Industry	New Energy and Industrial Technology Development Organization (NEDO)	A study group aimed at promoting ESG investment in Japan's biotechnology sector by studying and communicating the type of ESG information disclosure required from biotechnology companies by investors.	Executive ESG analyst Sakuramoto participated as a committee member. We actively provide advice on information disclosure required of biotechnology companies from an investor's perspective.
Study Group on a New Governance Model in Society 5.0	Ministry of Economy, Trade and Industry	A study group on corporate governance in a digital society (Society 5.0) in which cyberspace and physical space are integrated, and information and data are utilized and shared in real time.	Terasawa, head of the Responsible Investment Group, participated as a committee member. Contributed to the formulation of the Digital Governance Code, which will be released in November 2020.
Study Group on the Evaluation of Environmentally Sustainable Companies	Ministry of the Environment	A study group that aims to promote understanding among investors of the impact of environmental factors on corporate value, while also encouraging companies to operate their businesses in consideration of environmental factors and to disclose relevant information.	Executive ESG analyst Sakuramoto participated as a committee member. Contributed to the development of common evaluation standards across industries by selecting "Environmentally Sustainable Companies" and other measures.
Study Group on Dialogues that Contribute to Long-term Corporate Management and Investment for Creation of Sustainable Corporate Value	Ministry of Economy, Trade and Industry	A study group that aims to revise the "Guidance for Collaborative Value Creation" as a framework for dialogue between companies and investors and integrated information disclosure with an emphasis on sustainability.	Terasawa, head of the Responsible Investment Group, participated as a committee member. We are actively providing proposals for the revised "Ito Review 3.0" scheduled to be released in FY 2021.

### Topics Joint research with academia




Research Topic	Joint Research Partners	Research Objectives/Details
Research on the effectiveness of engagement in passive fund management	Professors Kazunori Suzuki, Hideaki Miyajima, Waseda University Professor Julian Franks, London Business School Professor Marco Becht, Free University of Brussels	We aim to analyze the effectiveness of engagement in our passive management from an academic perspective, and aim to obtain suggestions for improving engagement activities in the future.
Research on ESG scores	Members of The MIT Sloan Sustainability Initiative, including Professor Roberto Rigobon and colleagues Florian Berg, Jason Jay, and Julian Köbel.	We participate in the Massachusetts Institute of Technology (MIT) Sloan School's research on ESG scores and aim to apply it to our ESG integration.

### Topics Collaboration with initiatives



Name of initiative	Overview of initiative	Status of AM-One's initiatives
 <b>Principles for Responsible Investment (PRI)</b> (Signed March 2013)	PRI is a global initiative to encourage institutional investors to incorporate ESG issues into their investment decisions, based on the six Principles for Responsible Investment released by former UN Secretary-General Kofi Annan in 2006.	We participate in conferences held by PRI both in Japan and overseas, as well as responding to surveys by PRI regarding ESG investment trends among investors.
 <b>Japan Sustainable Investment Forum (JSIF)</b> (joined April 2018)	JSIF is an organization that works to promote and further advance sustainable investment (such as socially responsible investment (SRI) and ESG investment) in Japan.	AM-One is a premium sponsor of JSIF. We support JSIF's initiatives by contributing to the White Paper on Sustainable Investment in Japan, etc.
 <b>Japan Stewardship Initiative (JSI)</b> (joined November 2019)	An initiative launched with the aim of deepening and further refining stewardship activities in the investment chain.	We have been a member of the Steering Committee since the initiative was launched, and are working to promote and improve the format of stewardship initiative reports (smart format) submitted by asset management organizations to asset owners.









Name of initiative	Overview of initiative	Status of AM-One's initiatives
 <b>Sustainability Accounting Standards Board (SASB)</b> (joined in September 2019)	SASB Standards identify the subset of environmental, social and governance issues most relevant to financial performance in each of 77 industries. The Standards are maintained by the Value Reporting Foundation, a global nonprofit organization that offers resources to help businesses and investors develop a shared understanding of enterprise value.	AM-One participated in projects related to alternative proteins and human capital management as a member of the SASB Standards Advisory Group representing the Food & Beverage sector, and also engaged in dialogues with Japanese companies in support of broader SASB Standards research objectives.
 <b>International Integrated Reporting Council (IIRC)</b> (pledged support in January 2021)	IIRC is a global initiative comprised of accounting professionals, corporations, investors and other stakeholders that promotes communication on value creation through the use of integrated reports, which connects financial and non-financial information.	In addition to participating in roundtable meetings hosted by the IIRC in Japan and overseas, AM-One was the only Japanese asset management organizations to participate as a reviewer in the Report Critique Project, an integrated report review project for IIRC Business Network members.
 <b>ESG Disclosure Study Group</b> (joined July 2020)	A study group for companies and investors on corporate ESG information disclosure which aims to establish systems for harmonizing the way in which companies increase their own value and grow.	As a founding member, we engage in discussions and research with leading companies on how to disclose ESG information in an effective and efficient manner.

Topics Collaboration with initiatives






E: Environment

Name of initiative	Overview of initiative	Status of AM-One's initiatives
 <b>Montreal Carbon Pledge (MCP)</b> (joined October 2015)	An initiative established at the PRI in Person of the United Nations Principles for Responsible Investment (PRI) held in Montreal in September 2014 that encourages institutional investors to disclose information on greenhouse gases.	Each year we calculate the amount of greenhouse gas emissions based on the number of shares held in all the funds we manage. Emissions as of the end of March 2021 were approximately 37.60 million tons*. * Scope 1 and 2 emissions calculated according to ISS-Climate methodologies using AM-One's ownership stake versus total market capitalization
 <b>Climate Action 100+</b> (joined December 2017)	An initiative that encourages global institutional investors to engage with companies that emit large amounts of greenhouse gases regarding information disclosure and initiatives to reduce greenhouse gas emissions.	Analysts from our Tokyo and London offices participate in this initiative, working together with major US pension funds as lead investors in major Japanese automakers.
 <b>Task Force Climate-Related Financial Disclosure (TCFD)</b> (pledged support in March 2019)	TCFD is a global task force that aims to encourage companies and other organizations to disclose climate-related financial information in an efficient manner in order to facilitate appropriate investment decisions by investors.	In addition to encouraging companies with large amounts of greenhouse gas emissions to disclose information via the TCFD framework, from FY 2020 we have also begun to disclose information on our stewardship activities using the same framework.
 <b>TCFD Consortium</b> (joined May 2019)	The TCFD Consortium is an initiative by government and private sectors in Japan to promote disclosure of climate change-related information based on the TCFD.	AM-One has been a member of the Steering Committee since the Consortium's founding, and we have been an active participant in roundtable meetings organized by the initiative.
 <b>Net Zero Asset Managers initiative (NZAM)</b> (joined December 2020)	An initiative by an international group of asset managers to support the net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius.	We are the only Japanese asset management organization that has participated in the initiative since its establishment, and work to promote its activities as a member of the Advisory Group.
 <b>Asia Investor Group on Climate Change (AIGCC)</b> (joined March 2021)	An initiative comprised of investors and other stakeholders in the Asia-Pacific region established with the aim of creating awareness and encourage action about the risks and opportunities associated with climate change and low-carbon investing.	We attend monthly meetings and collaborate with other climate change initiatives such as NZAM and CA100+ to engage with investors in Asia to help realize a low-carbon society.





S: Social

Name of initiative	Overview of initiative	Status of AM-One's initiatives
 <b>30% Club JAPAN Investor Group</b> (joined November 2019)	The 30% Club is a global initiative that aims to increase the proportion of female directors on corporate boards and other key decision-making bodies. The 30% Club Japan Investor Group was founded in May 2019.	We participate in the 30% Club Japan Investor Group as a board member and support its initiatives, such as the publication of annual reports.
 <b>Farm Animal Investment Risk &amp; Return (FAIRR)</b> (joined December 2020)	FAIRR is a global initiative established in 2015 to conduct engagement on the state of livestock farming from the perspective of investment risk and return.	We participate in FAIRR's engagement for Building Sustainable Protein Supply Chains, and conducted a joint engagement initiative with a major UK retailer as the counterpart.
 <b>Access to Medicine</b> (joined December 2020)	A global initiative to conduct engagement with pharmaceutical companies to improve access to medications, vaccines, diagnostics, and other medical products in low- and middle-income countries.	We have engaged with major Japanese pharmaceutical companies regarding access to medications in emerging countries, serving as the lead investor for some counterpart companies.



G: Governance

Name of initiative	Overview of initiative	Status of AM-One's initiatives
 <b>International Corporate Governance Network (ICGN)</b> (joined February 2014)	ICGN is a global initiative aimed at improving and promoting corporate governance, while also proactively disseminating information on investor stewardship.	In addition to speaking at and attending webinars held by ICGN, AM-One President and CEO Akira Sugano contributed to ICGN's 25th anniversary yearbook—the only representative from a Japanese asset management company to do so.
 <b>Asian Corporate Governance Association (ACGA)</b> (joined in April 2018)	ACGA aims to conduct research, advocacy and education on corporate governance in Asia, including Japan, and to promote the establishment of effective corporate governance systems for companies in countries in the region.	We participate in regular quarterly meetings to gather information on corporate governance trends in Asian nations.

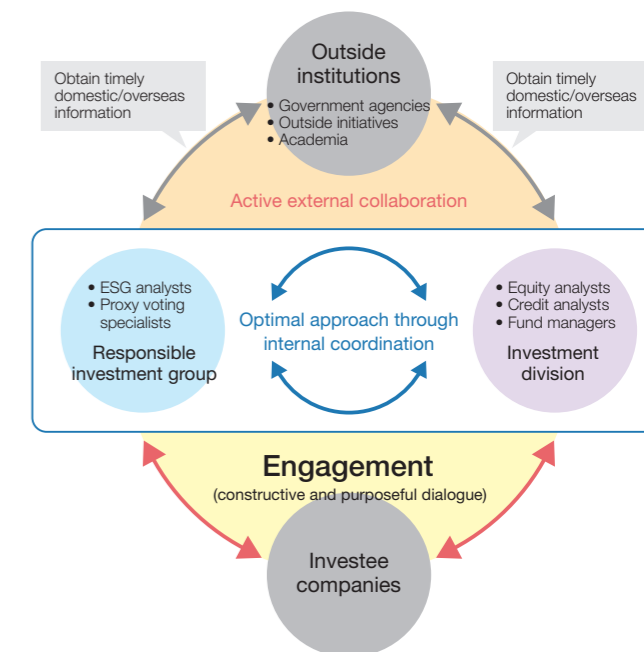
# Asset Management One's Engagement Activities

## Engagement overview



## Optimal formation

At AM-One, fund managers, equity analysts, and credit analysts from our investment division and the Responsible Investment Group, which also conducts engagement and exercises voting rights from passive investment standpoint over the medium to long term, cooperate closely in high-quality engagement dialogues and voting activities with a holistic view. This approach is enhanced by numerous ESG analysts in the Responsible Investment Group who have extensive investment experience (as a former financial analyst or fund manager) as well as deep knowledge of ESG themes. We collaborate not only internally but also actively with other stakeholders such as policymakers and various initiatives. We regularly participate in discussions with external experts to widen the scope of our engagement activities, which include with various industry associations, government agencies and academia organizations.



## Making engagement visible

### 23 engagement issues set for each priority company

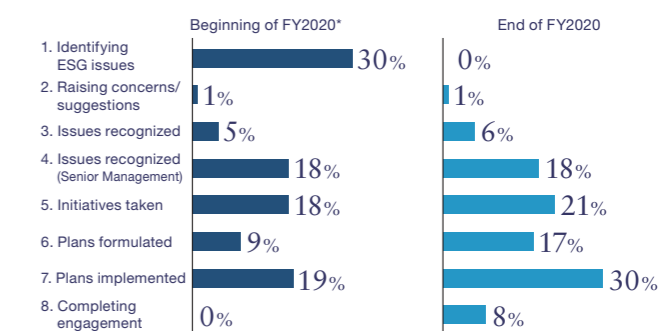
Corporate strategy	Corporate strategy
	Performance
	Capital structure
E	E1: Climate Change
	E2: Deforestation
	E3: Water Resource Management
	E4: Biodiversity
	E5: Waste & Pollution
	E6: Resources & Energy Management
S	S0: Diversity
	S1: Human Rights
	S2: Labor Practices/Health & Safety
	S3: Product liability & Safety
G	G0: Board Governance & Accountability
	G1: Capital Efficiency
	G2: Takeover Defense Measures
ESG	G3: Risk Management
	ESG1: CSR/ESG Management
	ESG2: Corporate Misconduct
	ESG3: Regional Revitalization
	ESG4: CSR Supply Chain Management
ESG5: Digital Transformation (DX)	

### Eight milestones

1	Identifying ESG issues: AM-One identifies and sets out key ESG issues relevant to the company
2	Raising concerns/suggestions: AM-One raises concerns or suggestions to the company
3	Issues recognized: The company recognizes the ESG issues raised by AM-One
4	Issues recognized (Senior Management): The ESG issues recognized by senior management of the company
5	Initiatives taken: The company has taken initial steps to improve/tackle the issues
6	Plans formulated: The company has established a concrete plan for solving the issues
7	Plans implemented: The company has implemented the plan set out for solutions
8	Completing engagement: AM-One confirms the company's effective actions and positive outcome

To select priority companies from both active and passive standpoints and identify material issues for each individual company, AM-One selects priority issues from among 23 engagement issues and shares them with investee companies. In addition, in order to raise the effectiveness of engagement, analysts keep records of engagement activities and also manage milestones as a part of a PDCA cycle, with progress reported and opinions exchanged at regular meetings. Through this kind of detailed PDCA cycle, solid engagement results are achieved. Regarding engagement outcomes in FY 2020, we achieved steady progress from the "Identifying ESG issues" and "Issues recognized" stages at the start to the later stages ("Initiatives taken" to "Completing engagement") at the end of the term. Issues related to corporate strategy, response to misconduct, and product liability, in particular, were successfully resolved. In this way, AM-One is making its engagement activities and processes more visible.

### Progress of AM-One's Engagement



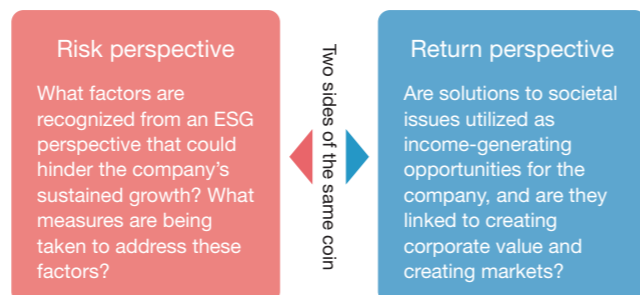
\*Including the issues added during FY 2020



## Our Engagement Approach

### Return perspective and risk perspective

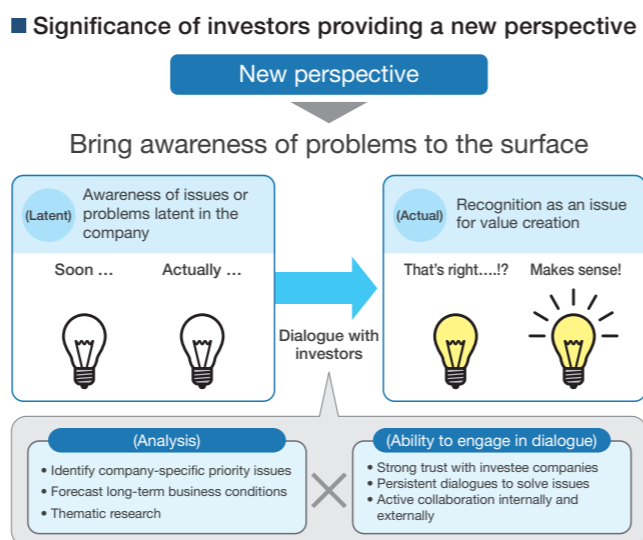
There are two basic approaches to ESG, the return perspective and the risk perspective, but, traditionally, the tendency has been more toward the risk perspective. AM-One believes that, while CSR and ESG relate to a company's social responsibilities from the perspective of the company and investors respectively, their essence—working to create corporate value—is the same. And we think that there needs to be more emphasis on achieving the upside potential for returns, not least on managing downside risks.



- Key points to confirm
- (1) Are ESG activities positioned at the heart of business strategy and management?
  - (2) Are ESG activities regarded as investments for sustainable growth instead of being handled as merely social contribution costs?
  - (3) Are ESG activities being implemented proactively to tackle new challenges, or merely as a legal compliance matter?

### Contributing to sustainable value creation by providing a new perspective

In our engagement dialogues, we intend to provide investee companies with new perspectives as an investor, from our activities in identifying company-specific priority issues, forecasting long-term business conditions, and conducting thematic research. We aim to help clarify material ESG issues and raise awareness of the link with the company's long-term success. We believe this would provide a foothold for solutions and further value creation.



### Detailed engagement materials

Engagement for sustainable value creation requires sharing and clarifying the key ESG issues or concerns with the company. When AM-One conducts engagement led by ESG analysts from the Responsible Investment Group, we analyze detailed non-financial information, integrated report, and other information disclosed by the company and create proprietary materials to present and discuss with each company. Through constructive discussions based on these materials, we seek improvement and drive positive changes for achieving medium- and long-term value creation at investee companies.

## Message to investee companies

### Convincing narrative of value creation

A point of emphasis in our engagement is about whether the company can present a convincing and compelling story of value creation. A value creation narrative is how solving societal issues would lead to income-generating opportunities for the company and what value is being provided for society and the company. And the main points that we focus on are 1) the ability of the company to identify key issues and the strategic foresight of management as preconditions for creating value, 2) the sustainability of the value creation process and whether priorities have been set related to materiality, and 3) the consistency and coherence of financial and non-financial operations in support of actual value creation. It is essential that these points be well communicated in the integrated report or in other disclosures.

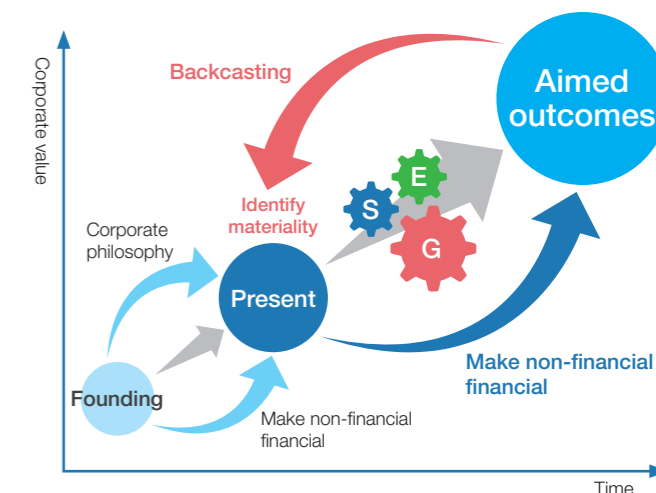
#### Keys to making a value creation narrative more convincing

- 1 Ability to identify key issues and strategic foresight of management as preconditions for creating value
- 2 Sustainability of value creation process and priorities related to materiality
- 3 Consistency and coherence of financial and non-financial operations in support of actual value creation

Essential to communicate these in the integrated report, etc., as a basis for dialogue between companies and investors

### Backcasting from aimed outcomes

Backcasting from the aimed outcomes is an important aspect of business management. The definitions of materiality have been debated recently. We think materiality (important issues) refers to those issues that are relevant and need to be addressed at present, in light of a prospective market environment, when backcasting from the aimed outcomes in future. And the coherence is important between the value creation process, operational management and the identified materiality.



### Requests for investee companies

We have four requests for companies to ensure that engagement leads to sustainable value creation: 1) Reaffirm that ESG is not something special or stand-alone; 2) Correctly understand the increased interest in ESG by capital markets; 3) Actively engage with investors; and 4) Promptly report on engagement issues to the senior management team.

#### Request

- ✓ Reaffirm that ESG is not something special or standalone
  - ESG relates to sustained value creation
- ✓ Correctly understand the increased interest in ESG by capital markets
  - ESG is having an increasing impact on company valuation, and is indispensable to assessing long-term growth potentials over a long time horizon
- ✓ Actively engage with investors
  - ESG initiatives need to involve all employees, and the participation of non-executive directors of the board is also expected
  - Active collaboration with investors can be an effective way to further integrate ESG within an organization
- ✓ Promptly report on engagement to the senior management team
  - Support from top management has been demonstrated by many proactive companies to be essential for launching ESG projects and starting to identify issues

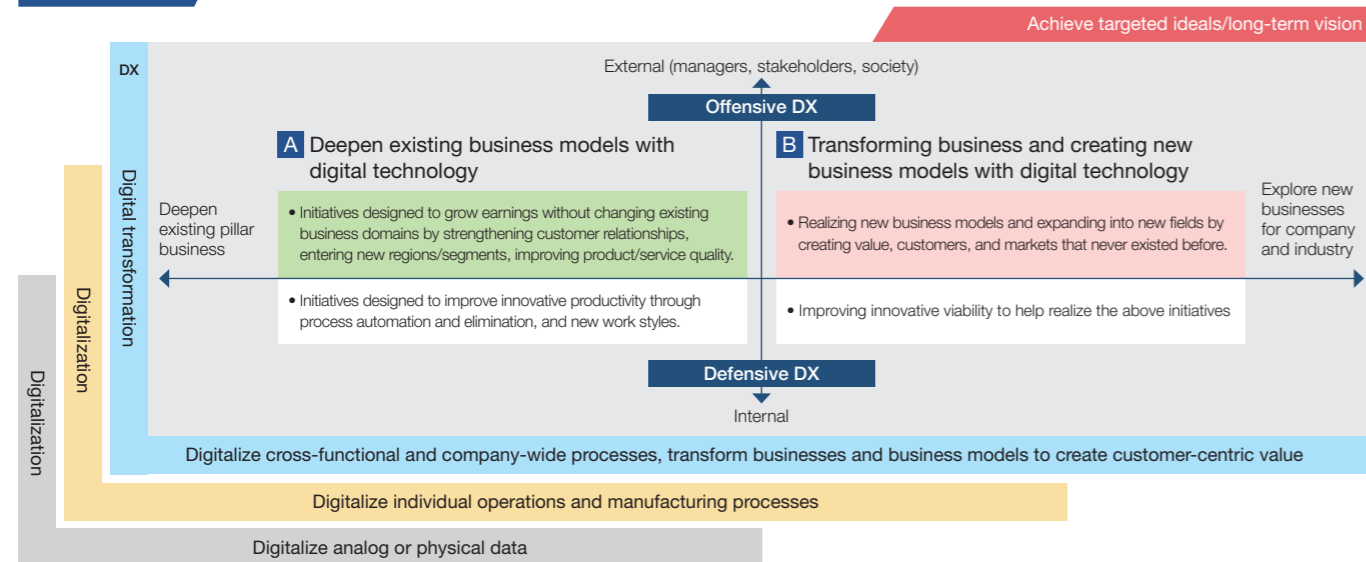
## Thematic Engagement: Digital Transformation (DX)

### Promoting DX to accelerate common shared value (CSV) management

#### Engagement overview

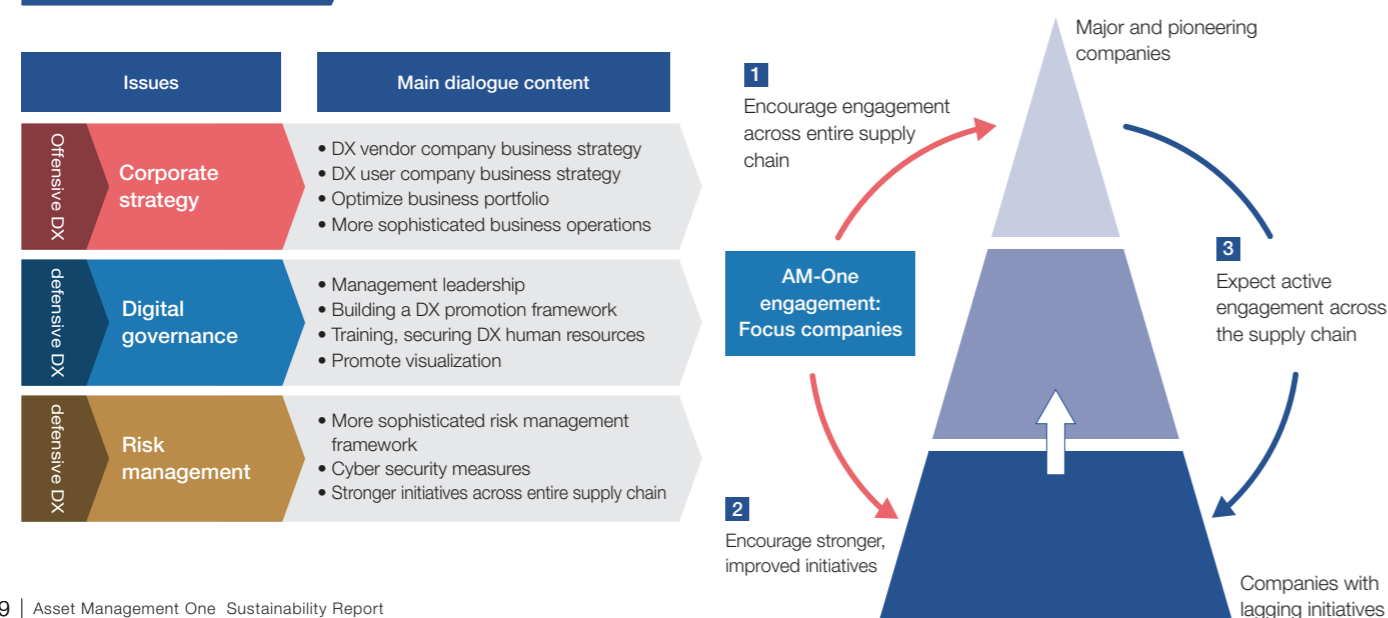
- DX initiatives that provide new value and enable innovation by integrating digital technologies in all business areas are priority issues
- Initiatives throughout the entire supply chain are required to implement CSV management designed to enhance corporate value by solving environmental and social problems. The delays in initiatives under Covid-19 have become more pronounced
- We promote the early building of a digital governance system that integrates with the management strategies and initiatives for materiality to realize targeted ideals and long-term vision as a company

#### Awareness Improving corporate value through DX



Source: Asset One revisions to the DX Stock 2021 materials provided by Japan's Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE).

#### Dialogue perspectives Promoting DX to raise the overall market floor



#### Engagement case studies

#### Examples of dialogue to accelerate CSV management

##### ESG Analysts' Perspectives

- **Addition of DX as a priority ESG issue from FY2020:** When implementing CSV management that enhances corporate value by solving environmental and social problems, we recognized the need to accelerate initiatives for the entire supply chain, so we commenced engagement with the addition of DX as a priority ESG issue from 2020. We recognized the even greater importance of DX issues with the increased uncertainty created by the Covid-19 pandemic.
- **Successful DX is always mission-driven:** We question DX pioneering companies, first about (1) the trigger for DX promotion, (2) the enthusiasm of senior management, and (3) the DX promotion framework. They share the following traits (1) they pursue mission-driven DX to achieve their targeted ideals, (2) senior management have a deep understanding of DX and a high sense of crisis, and (3) they are proactively building systems to nurture and secure digital human resources.
- **The urgent need to build digital governance systems:** Companies with lagging initiatives often appear to be stuck in the optimization of each business division. To visualize the ESG issues for the entire supply chain and to implement CSV management, there first needs to be an internal transformation (defensive DX) as the development of the base. Conglomerates promote the early building of a digital governance framework through the strong leadership of senior management to optimize the business portfolio and eliminate the conglomerate discount.



Toshikazu Suzuki  
ESG Analyst

##### Sector Analysts' Perspectives

- **Expect Offensive DX to Expand New Products and Services:** We believe that DX is an important theme for the IT service industry that manages it and the Japanese economy as a whole. To date in Japan, there has been a fairly strong cost-consciousness when it came to IT investment and the focus has been on operational efficiency improvements. However, we recognize a growing need for offensive DX that can expand new IT-based products and services to deal with the changing environment due to the global competitive environment and Covid-19.
- **IT providers also need to change:** First, we have been asking system integrators about whether the traditional contract-development business model is the best option based on the premise that IT providers need to change. Some data suggest the companies that are securing new revenue streams by promoting software and services have high gross-profit-per-employee levels, and companies with lagging initiatives are noted to have low levels for such indicator, so we are fostering the transformation of business models through software services.
- **Enhance engagement through in-house collaboration:** Analysts in charge of DX vendor companies and DX user companies are collaborating, producing DX-themed research, sharing their awareness of the issues and enhancing engagement to solve such issues. A deeper discussion about the importance of DX, including with fund managers, is leading to the acquisition of investment opportunities.



Shinji Ito  
IT Sector Analyst

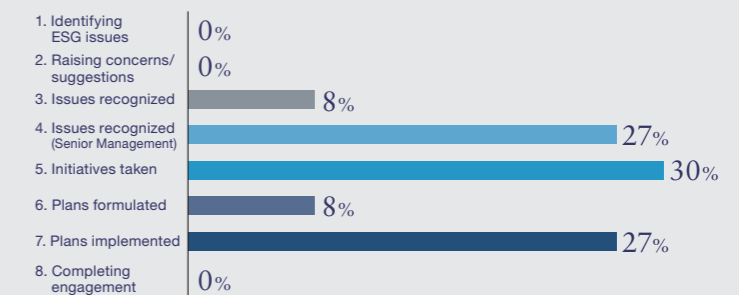
#### Engagement review and direction of future dialogue

- DX initiatives of investee companies have surged in the wake of Covid-19. However, there is an impression that many companies are stuck in the digitalization stage. Strong leadership from experienced senior management is required to help transform business and build digital governance.
- There is opportunity in adversity, so we would like to further deepen discussion about the importance of DX in order to realize targeted ideals that anticipate medium to long-term business environments and long-term visions.
- The importance of cyber security also increases with the promotion of DX, so we will encourage more proactive initiatives from both the risk and return perspectives.

##### Progress on engagement milestones

AM-One added DX as a priority ESG issue in FY2020 and began full-scale engagement. As we explored ESG discussions more deeply with investee companies, we recognized the even greater importance of DX issues in light of the growing need to visualize the entire global supply chain, the Covid-19 pandemic, and resultant future uncertainties. We referred to examples of companies that have already pioneered initiatives, while striving to raise the levels of all investee companies.

##### ESG5: Digital transformation (DX)



## Thematic Engagement: CSR Supply Chain Management

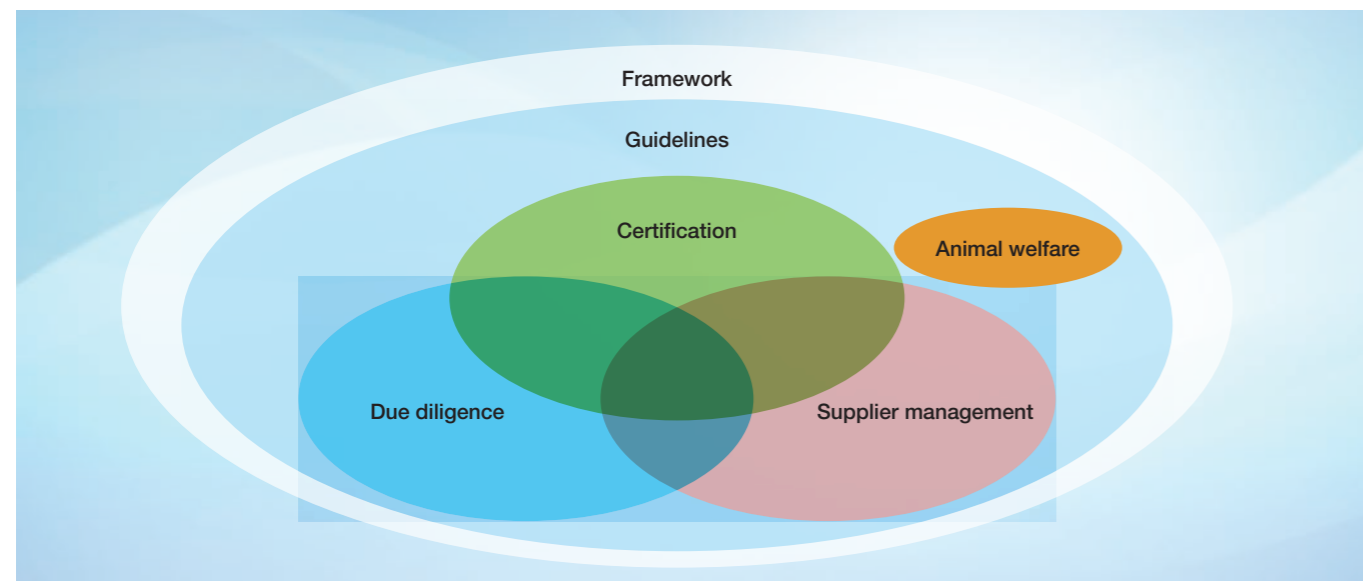
Obtaining certification that provides stable safety and security for customers

### Engagement overview

- Urgent need to achieve sustainable global development and enhance medium to long-term corporate value
- Dialogue on sustainable procurement, including certification for both PB and NB\*1
- Proactive future response on due diligence for human rights and the environment, as well as supplier management.

\*1 PB=private brand; NB=national brand

### Awareness Increasing corporate value through responsible procurement



### Dialogue perspectives Retailer perspective on obtaining certification for national and private brands

Encouraging major companies involved in private and national brands to obtain various certifications and supporting future proactive initiatives to ensure the sustainability of natural resources while enhancing corporate value over the medium to long term.

	Agricultural products	Livestock products	Seafood products	Paper, pulp, wood	Palm oil
Private brands	External certification GFSI <sup>*2</sup> based, etc.	External certification GFSI based, etc.	MSC <sup>*3</sup> , ASC <sup>*4</sup> distribution, processing certification (CoC <sup>*5</sup> )	Raw materials with FSC <sup>*6</sup> certification, etc.	Raw materials with RSPO <sup>*7</sup> certification, etc.
National brands					
Seafood company B			●		
Seafood company C	●	●			
Seafood company D				●	●
Seafood company E				●	●
Paper, pulp company F				●	

\*2 The Global Food Safety Initiative  
 \*3 Marine Stewardship Council  
 \*4 Aquaculture Stewardship Council  
 \*5 Chain of Custody  
 \*6 Forest Stewardship Council®  
 \*7 Roundtable on Sustainable Palm Oil

### Engagement case studies Dialogue focused on acquiring certification

- Major retailing company A, which operates both private and national brands, is actively pursuing responsible procurement by formulating sustainable procurement principles based on the strong belief that "we cannot hope to achieve sustainable growth and enhanced corporate value in a world where natural resources for consumers are being depleted." Our engagement involves detailed investigation of RSPO and JaSPON<sup>\*8</sup> activities, especially in relation to palm oil, and MSC certification for fishing resources, etc. as well as confirming that companies are pursuing the right initiatives for ensuring sustainable corporate development.
- We held dialogues with fisheries company B regarding the acquisition of MSC and ASC certification, and on how to manage sustainable fishing and aquaculture through SeaBOS<sup>\*9</sup>. We are currently discussing and sharing issues on addressing biodiversity as a fisheries company.
- In the past, we engaged with food company C that handles meat to confirm any potential risk from a quality assurance perspective. Our current engagement is focused on supplier management.
- In addition to exchanging views on palm oil-related RSPO certification and FSC certification for packaging materials with confectionery-manufacturing food company D, we also shared concerns on environmental (deforestation) and social (child labor) issues during the procurement of its main cocoa ingredient. This engagement encourages proactive disclosure of KPIs and target values for palm oil, paper use, and cocoa.
- We are deepening mutual understanding with drinks company E through engagement on risk-reduction responses, such as the use of an information platform for supplier management and traveling to the production site to conduct checks of raw materials that could potentially involve child labor violations.
- A firm response on wood procurement, including third-party audits, is a requisite for our business with paper and pulp company F, so we use our engagement to confirm that the company has sufficient human rights and environmental due diligence in place.

\*8 Japan Sustainable Palm Oil Network  
 \*9 Seafood Business for Ocean Stewardship



Megumi Sakuramoto  
Executive ESG Analyst

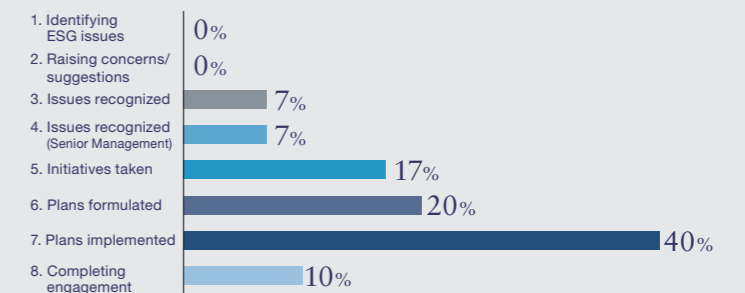
### Engagement review and direction of future dialogue

- With supply chains becoming increasingly global, efforts to solve social and environmental issues through responsible procurement are becoming ever more important for maintaining and improving corporate value.
- Under these circumstances, our engagement not only seeks to promote the forging of responsible procurement guidelines, but also seeks to increase their effectiveness in terms of improving corporate value by confirming the acquisition status of various certification.
- Going forward, we want to promote firm supplier management and increase awareness of human rights and environmental due diligence within companies, as well as encourage specific responses and actions.

#### Engagement situation and future initiatives

As a result of working vigorously to support sustainability not only by obtaining certification but also by focusing on engagement that promotes stronger due diligence and supplier management, over 80% of companies are at stage 5. Initiative taken in our responsible procurement engagement and 10% of companies have reached the Completing engagement stage.

#### ESG4: Responsible procurement



## Thematic Engagement: SDGs to Drive Innovation

SDGs initiatives serve to encourage companies to improve corporate value

### Engagement overview

- While the SDGs serve as a common language for evaluating and inspecting company initiatives for in investee companies, they can create new business opportunities.
- We pay close attention to SDGs washing, such as overall SDGs icon usage, and conduct dialogues focused on improving corporate value through innovation.
- We use SDGs as a means of emphasizing the importance of formulating and disclosing our 2030 goals and long-term vision.



**Yoshinobu Muraoka**  
Chief ESG Analyst

### Awareness Innovation Generation and SDGs

#### Based on your own business



#### Based on SDGs



In using SDGs in companies, it is vital to increase corporate value over the medium to long term through a repetitive spiral of new innovation creation and sustainability inspections of own businesses.

**Sustainability inspections:** When companies start with their own business and use SDGs primarily for sustainability inspections of their business when explaining the relationship between their business and SDGs.

**New business creation:** When new innovation generation to expand business opportunities is inspired by SDGs and is based on an exploration of what businesses can do to attain SDGs targets by 2030.

### Dialogue perspectives Individual investee company priority issues and SDGs

- We aim to raise the market floor as a whole by increasing the corporate value of investee companies, and we seek to set and engage in a wide range of issues that go beyond the best-known issues of climate change, etc.
- We seek to engage on the 20 determined ESG issues for each investee company, which we believe will ultimately help increase corporate value by achieving the 17 goals laid out in the SDGs through business inspections and innovation.

### Engagement case studies Diverse engagements designed to improve corporate value

Climate Change (E1) Deforestation (E2) Biodiversity (E5)	<b>Company A: Food product retailer</b>	Exchanging opinions with companies in the high-risk category of the Protein Producer Index*1 and encouraging stronger initiatives Shared investor perspectives in Japan's Ministry of Agriculture, Forestry and Fisheries' Food Tech Study Group. Joined the FAIRR*2 initiative and engaged with investee companies in food, retail, etc. to strengthen efforts from the perspective of securing a sustainable protein supply chain.	2 ZERO HUNGER 13 CLIMATE ACTION
Product Liability & Safety (S3)	<b>Company B: Pharmaceuticals</b>	Implementing continuous dialogue on Access to Medicine (AtM) response and encouraging stronger initiatives as a business strategy Participated in AtM*3 and shared information with offshore investors. Engaged with global AtM heads and executives of major pharmaceutical companies on improving drug access, such as end-to-end delivery, in low and medium-income nations.	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES
Diversity (S0)	<b>Company C: Retailer</b>	Pointing out delays in female promotion targets to companies that are proactively promoting women in the workplace and encouraging them to strengthen specific responses Joined the 30% Club Japan, and shared best practices. Engaged with major retailers working to promote diversity and urged them to achieve their goals by confirming the level of senior-management awareness and progress on specific initiatives.	5 GENDER EQUALITY 10 REDUCED INEQUALITIES
Water Resource Management (E3)	<b>Company D: Glass and stone</b>	Encouraging stronger initiatives on global access to water and sanitation facilities, including information disclosure, as a representative company in the water-related business Pointed out areas where efforts to address the issue of access to water and sanitation facilities were falling short and engaged with Company D's President regarding matters such as strengthening the dissemination of information upon the reorganization of the company's risk/return perspectives.	6 CLEAN WATER AND SANITATION 10 REDUCED INEQUALITIES
Regional Revitalization (ESG3)	<b>Company F: Electricity &amp; gas</b>	Encouraging company to strengthen regional revitalization efforts by using its expertise as a local infrastructure operator to address rural labor shortages and infrastructure maintenance issues Confirmed progress on solving regional issues as one of the company's areas of intensive engagement within its plan to generate one-third of revenue from non-electric businesses by 2030, and encouraged stronger initiatives, including synergy creation with mainstay businesses.	11 SUSTAINABLE CITIES AND COMMUNITIES
Biodiversity (E5)	<b>Company G: Fisheries</b>	Urging greater efforts as an industry leader and pointing out how the urgent issue of expanding sustainable seafood handling could directly enhance reputation and consequently corporate value Having evaluated stronger MSC and ASC certification, we engaged with the president regarding necessary stronger initiatives, including the conveying of information as the SeaBOS corporate chair for the Task Force on Nature-related Financial Disclosures (TNFD).	14 LIFE BELOW WATER
Deforestation (E2)	<b>Company H: Paper/Pulp</b>	Exchanging views on procurement of raw wood materials as a means of preventing forest collapse and encouraging stronger supply-chain monitoring and other initiatives. Confirmed high rate of certification for overseas plantations and domestic company-owned forests and the formation of a sustainable business model in keeping with the New York Declaration, and engaged on sustainable forest management that would ultimately enhance medium to long-term corporate value.	15 LIFE ON LAND

\*1 Coller FAIRR Protein Producer Index (A ranking of environmental, social and governance issues for 60 of the largest animal protein producers)  
\*2 Farm Animal Investment Risk and Return: An animal agriculture-related initiative for institutional investors launched in 2015 by Jeremy Coller, the founder of Coller Capital of the UK  
\*3 Access to Medicine: A global initiative to promote the access to medicines in developing countries

### Evaluation and direction of future dialogue

- We have encouraged companies to view SDGs initiatives not as charitable endeavors but as tools that improve corporate value by inspiring new innovation.
- We will continue to proactively engage with investee companies on a wide variety of issues, not just high-profile issues such as climate change and human rights responses.
- We will use SDGs perspectives to engage and encourage investee companies to focus on long-term management strategies and pursue CSV management.



**Noboru Saruya**  
ESG Analyst

## Engagement in Equity Investment

### Stock research perspectives, approaches, convictions

Understanding essential issues based on bottom-up research

Fully exploiting long and short-term financial analysis and competitive analysis to accurately pinpoint corporate issues.

Medium to long-term approach using cross-industry and ESG-based research themes

Providing companies with new perspectives by combining cross-industry themed analysis and ESG perspectives.

Convinced of the effectiveness of dialogue through trust-building with companies

Increase effectiveness in a wide range of areas by gaining trust as "an investor who knows us well."

## Promoting long-term corporate transformations: Company A: Major dairy manufacturer

2015-2017

### Engagement issues in dialogue with Company A

Corporate strategy	Management resources/portfolios Marketing strategy General management Information disclosure, IR
Corporate performance Capital financing	Performance Capital structure/financing strategy
Governance	Takeover defenses Risk management

comparatively cheap. We began concentrated engagement in 2015 based on the belief that there was plenty of room for profits to improve and the stock price to rise if we could help the company strengthen its earning structure, which is relatively immune to external factors such as raw material market conditions, by eliminating unprofitable items and targeting products.

#### ● Dialogue content

We used the advent of younger management in 2015 as an opportunity to share the need for a reform to a solid profit structure by seeking to increase prices and clarifying strategies and target products, and we continued our supportive dialogue. We also discussed the importance of determined cross-departmental initiatives that transcend conventional business divisions, confirmed management's motivation to change, and helped consolidate their convictions.

#### ● Engagement evaluation

Once these structural reforms bore fruit, the company achieved a record profit in the fiscal year ended March 31, 2017 and the share price significantly outperformed the broader market.

#### ● Engagement objectives and problem awareness

Major dairy manufacturer A owns many superior brands with long track records and has repeatedly researched and developed health ingredients (milk ingredients, bacteria), but we noted that there was much room for improvement on profitability and the stock price was

2018-2019

### Engagement issues in dialogue with Company A

Corporate strategy	Management resources/portfolios Marketing strategy Global strategy General management Information disclosure, IR
Corporate performance Capital financing	Performance Capital structure/financing strategy
Social	Diversity Product responsibility
Governance	Capital efficiency Takeover defenses

of health ingredients (milk ingredients, bacteria).  
Dialogue content

We confirmed with management that medium to long-term structural reforms were on track despite the worsening in short-term performance. We also combined ESG data and the themed research analysis of global food materials that we conducted independently across industries together with chemical sector analysts and hypothesized that health ingredients (milk ingredients, bacteria) harbored large potential and competitive advantage. Discussions with senior managers and overseas business unit executives deepened our convictions regarding the medium to long-term growth of health ingredients overseas, and we continued dialogues on the considerable room for development in terms of marketing and stock market appeal. We also engaged in deeper dialogue regarding our expectations for the medium-term management plan and governance, including eliminating takeover defenses and evaluating integrated reports.

#### ● Engagement evaluation

Continued reforms of profit structure and faster-than-expected increases in health ingredients sales resulted in further record-high profits for the company. A strong Group vision announced in May 2019 and solid expectations for the medium-term management plan have helped the company get back on an upward trajectory.

#### ● Engagement objectives and problem awareness

A lull in the reform of profit structure and concerns over rising raw material prices saw the share price fall temporarily, but by carefully analyzing ESG-related non-financial data and comparing with overseas company examples, we realized the large growth potential

2020-2021

### Engagement issues in dialogue with Company A

Corporate strategy	Management resources/portfolios Marketing strategy Global strategy General management Information disclosure, IR
Corporate performance Capital financing	Performance Capital structure/financing strategy
Environment	Climate change
Social	Diversity Product responsibility
Governance	Board of Directors, corporate governance Capital efficiency
ESG	CSR/ESG management Digital transformation (DX)

#### ● Dialogue content

We arranged dialogues on international initiatives regarding the release of meat and dairy substitutes (through collaboration with Responsible Investment Group) and pointed out the importance of reflecting climate change risk in the company's business portfolio. We held a lecture on market perceptions of the company's strengths, issues, and expectations for senior managers who do not interact regularly with the market. We deepened mutual understanding and trust through subsequent discussions, not only with management and IR representatives, but with people from a wide range of departments, including production and marketing.

#### ● Engagement evaluation

Evaluations of Company A's unique growth strategy are rising and the stock price continues to outperform the broader market on the back of continued record profits.

As our engagement deepens our mutual understanding, we have been able to share broader and deeper issues.

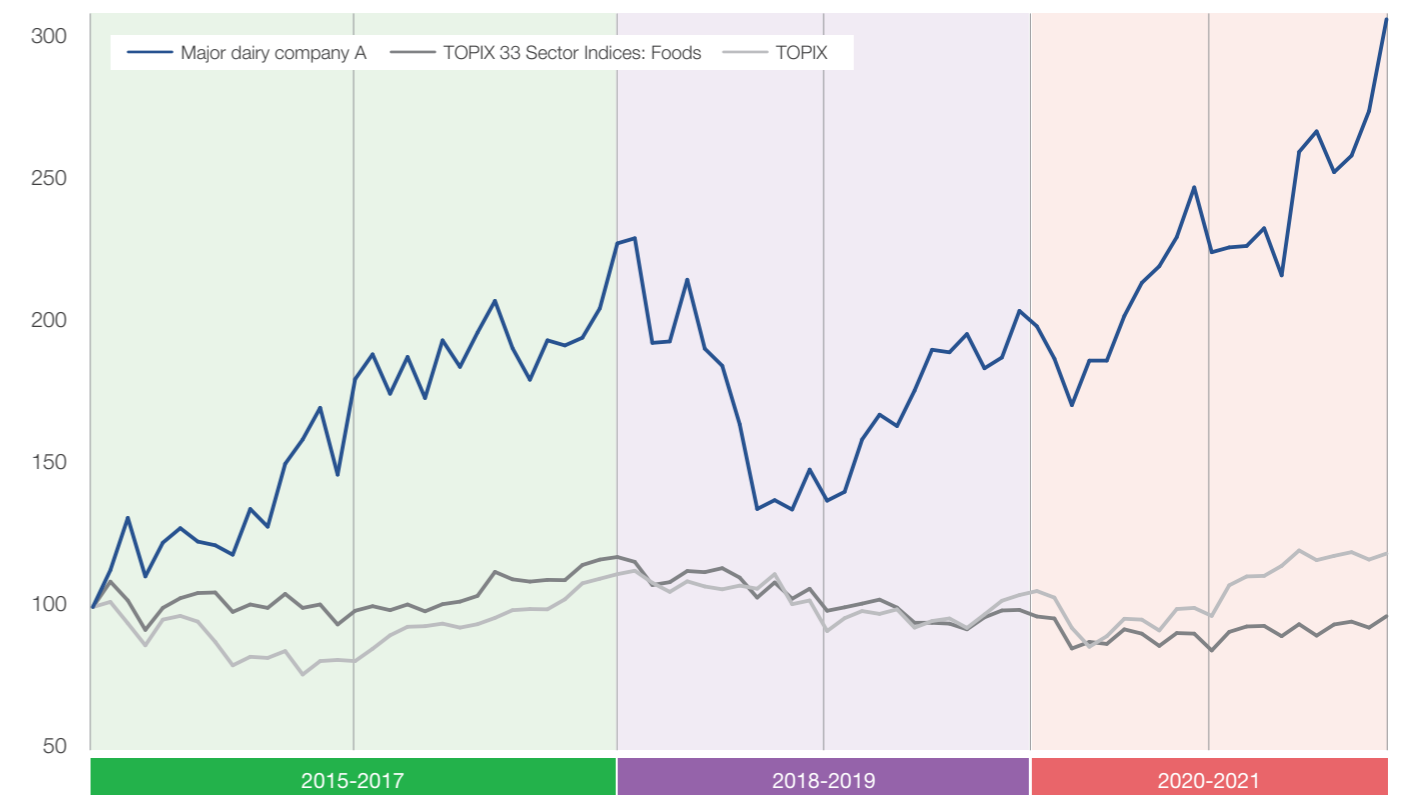
Despite the Covid-19 environment, Company A upwardly revised its targets for its medium-term plan (final year fiscal 2021) based on its declared determinations "to be a company that meets the expectations of the stock market" and "to maintain a corporate culture that pursues challenges." Opportunities to deepen stock market understanding by, for instance, holding briefings on functional materials and overseas businesses have increased both in number and substance, and the company is making steady progress on efforts to reflect climate change risks/potential and ESG issues in its business strategies by, for example, endorsing the TCFD and expressing support for the September UN Food Systems Summit.

We will continue to share perspectives on competitive sustainability management and we hope to support further leaps forward for the company.

#### ● Engagement objectives and problem awareness

Company A positions the promotion of sustainability management as the main driver of corporate value. We expect the company will further strengthen its competitive advantage and expand its business by fine-tuning its response to climate change risk, advanced evidence marketing, and its expansion strategy for health ingredients that are highly valued globally.

### ■ Dairy manufacturer A share price trend



## Engagement in Fixed-Income Investment

**As one of Japan's leading active credit investors, we accurately grasp current circumstances and proactively engage in dialogue based on active fixed-income viewpoints and fixed income ESG evaluations.**

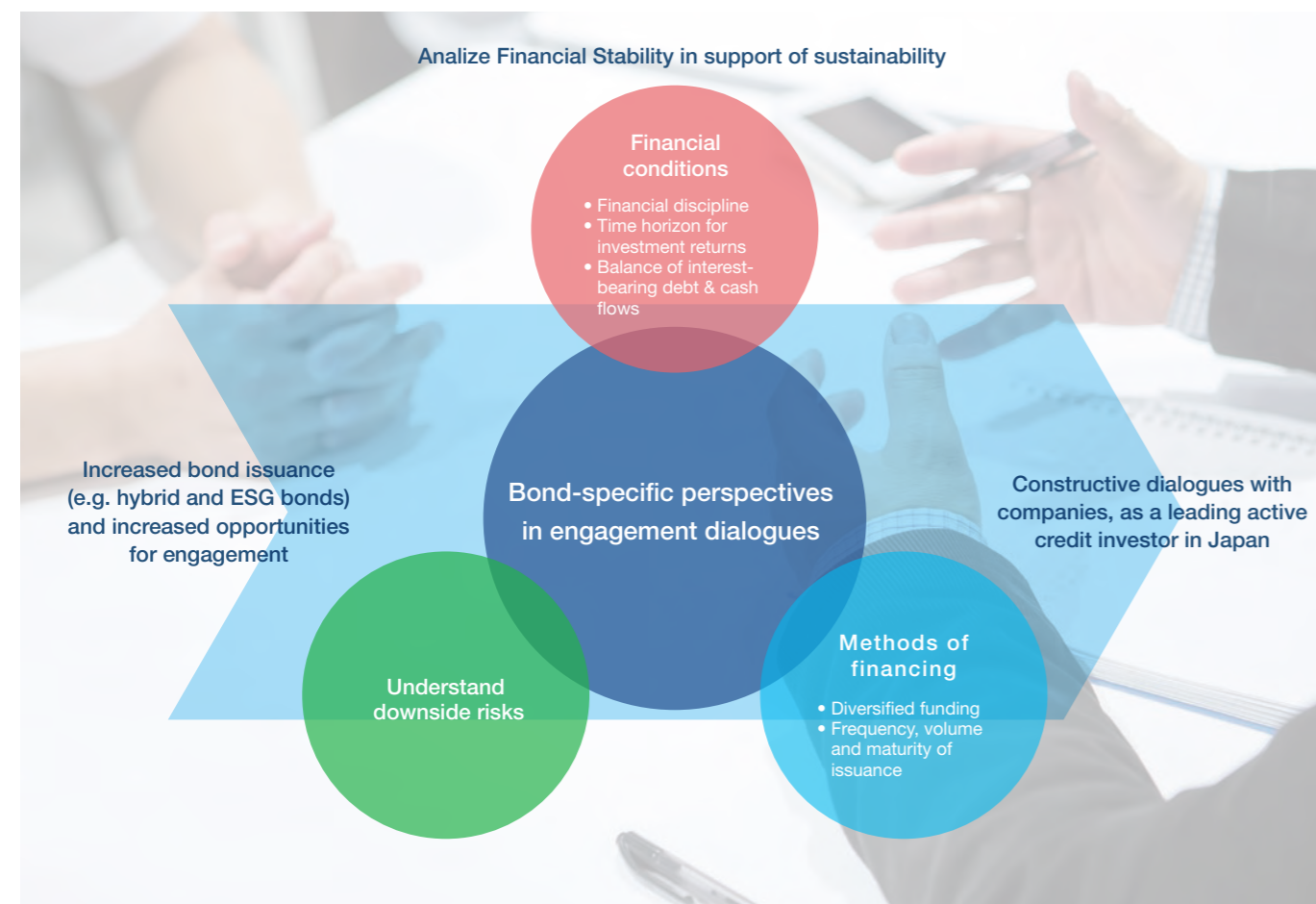
From the perspective of fixed income active strategies, we expect to increase returns and reduce risks of the investment. In order to better understand investee companies' financial stability prospects to ensure sustainability, we have actively carried out numerous engagement dialogues with companies, with a focus on their financial strategies and also on ESG assessment.

With regards to some unique aspects and approaches of fixed-income assets, we carefully examine key financial conditions such as the balance of interest-bearing debts and cash flows, the time horizon for returns on investment, any potential downside risks that may affect the company's creditworthiness or have a significant social impact, and financing methods (including type, frequency, issue volume,

maturity, etc.). We also engage in a deeper dialogue on increasingly important issues, such as carbon-neutrality.

Unlike equity investment, fixed-income investments do not offer any direct voting rights. However, recent changes in the underlying environment, such as a growing willingness on the part of companies to proactively engage with the bond market and a growing market for hybrid bonds and ESG related bonds that can influence corporate strategies, has created more opportunities for open dialogue. As a leading active credit investor in Japan, AM-One strives to capitalize on its presence to accurately convey the views of investors to corporate representatives.

### Active fixed-income perspective



## Focus on carbon neutrality and bond management initiatives

### Engaging with an electric power company

In order to maintain and upgrade infrastructure facilities, major electric power companies have frequently issued corporate bonds for financing. However, there is an increasing need than ever for sustainable financing sources, on the back of an intensified competition resulting from electric power system reforms, the increase in capital investment in response to the stricter regulations on nuclear power, and the formation of viable carbon-neutral responses. As such, the company has also demonstrated the awareness and willingness to strengthen dialogues with bond investors.

At engagement meetings, our discussion revolves around initiatives to address carbon-neutrality demands and bond issue management. In terms of carbon neutrality, we discuss interim 2030 targets and how to achieve them, utilizing renewable energy, nuclear power plant safety measures and

operations, the elimination of coal-fired thermal power and technological reform, as well as the company's approach and progress on innovation, such as carbon capture, utilization, and storage (CCUS) and the use of hydrogen and ammonia.

Regarding bond management, we discuss issue volumes, frequency, timing, maturity of the bond and the use of sustainable finance from an investor's perspective and from the sustainable financing point of view.

We also pay close attention to initiatives designed to forge a firm response to intensified competition, build resilience in the face of aging equipment and increased damage from typhoons and torrential rains, and business diversification, as well as improve disclosure to facilitate the wide communication of company initiatives to the outside world.

### Engaging with a steel company

The steel sector has the highest CO<sub>2</sub> emissions among Japanese manufacturers, so major steel companies are accelerating efforts to achieve carbon neutrality by 2050, which will require not insignificant innovative technologies. COURSE50\* and other technological developments are leading overseas companies in some respects and we are focusing on specific initiatives, including technical development trends.

Large steel manufacturers issue many senior and subordinated bonds and the steel sector is a large presence in the corporate bond market. Corporate bonds constitute a significant proportion of major steel company financing, so companies engage regularly and proactively with fixed-income

investors. Interest-bearing debt is expected to remain high in view of the predicted rising capital investment and development cost relating to CO<sub>2</sub> emission reductions. In our meetings, we discuss sustainable financing from the investor's perspective and seek to confirm the company's financial discipline, including its approach to controlling interest-bearing debt and its stance on other types of financing, such as hybrid and ESG bonds.

\* CO<sub>2</sub> Ultimate Reduction System for Cool Earth 50 (COURSE50) Project: Process technology for hydrogen reduction steelmaking. An initiative to reduce carbon emissions from producing steel in a blast furnace. It involves two technologies, blast furnace hydrogen reduction technology and CO<sub>2</sub> separation and recovery technology, and is expected to reduce CO<sub>2</sub> emissions by approximately 30%.

### Engaging with an international institution on passive overseas fixed-income investments

Our Index Solution Group engages with international organizations together with members of our Responsible Investment Group in regard to passive investment of foreign bonds. Many of the projects that involve international organizations are generally long-lasting and highly public projects and we need to support stable, long-term financing as a long-term investor.

In our meetings, we make proposals on the issuing current or maturity of international organization bonds based on our investment style. The agenda focuses on confirming investment policies and the use of funds for projects, as well as the best way, from an investor's perspective, to disclose readily comprehensible information. We also spent a lot of time

in FY 2020 discussing the impact of Covid-19 in light of the rapidly changing global situation.

International organizations are at the forefront of ESG initiatives, so we learn much from them as an operating company through our dialogues. They provide particularly valuable opportunities for us to exchange views on the latest ESG topics and to apply those findings in discussions with other international organizations and companies.

AM-One focuses on the long-term evaluation of the project and aims to help realize a better world by effectively utilizing investment funds to promote the sustainable development of our society.

## Our Engagement in ex-Japan Global Markets

### Our approach to engagement in ex-Japan markets

AM-One has dedicated ESG specialist based in London (Asset Management One International) who conduct research on ESG trends in Europe and the U.S. and engage with overseas companies. We are making efforts to solve social issues and increase corporate values from a global perspective through the assignment of specialists with extensive experience in Europe, which is pioneering stewardship activities and ESG investment, and through collaboration with ESG analysts in

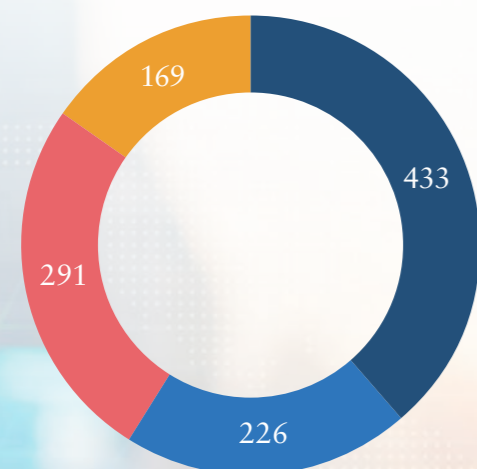
Tokyo and New York based fund managers.

In addition, we have partnered with leading stewardship services provider EOS at Federated Hermes (EOS). On behalf of AM-One, EOS engages with our investee companies in ex-Japan global markets. We have many opportunities to exchange thoughts and discuss expectations with EOS and provide feedback on its engagement plans as well. From time to time we also join EOS engagement meetings with investee companies.

### Engagement with ex-Japan companies through EOS (AM-One investee companies, FY2020)

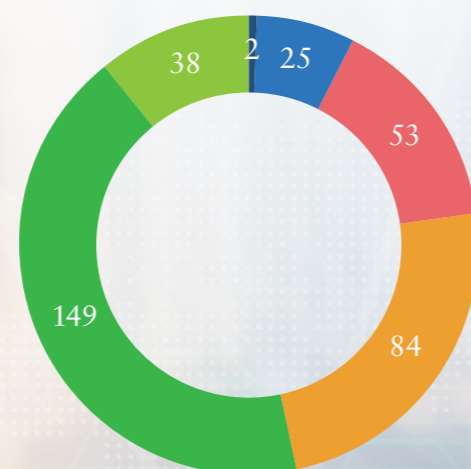
Engagement objectives by theme

■ Environmental ■ Social and Ethical  
■ Governance ■ Strategy, Risk and Communication



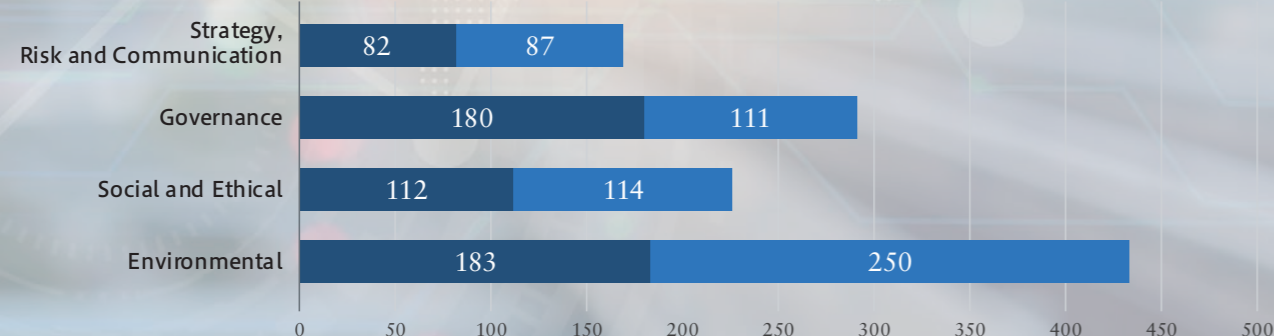
Companies with objectives engaged by region

■ Australia & New Zealand ■ Developed  
■ Emerging & Developing Markets ■ Europe  
■ North America ■ United Kingdom



Progress of engagement milestones

■ No change ■ Positive progress



### Policy engagement activities

Organization	Initiative	Overview
Financial Reporting Council (FRC)	Financial Reporting Lab	AMO participated in the Lab's new project on Reporting of Risks, Uncertainties and Scenarios. We particularly highlighted the interconnected and dynamic nature of managing business and operational risks, and discussed the importance of company-specific contexts and coherent reporting practices.
The Investment Association (UK)	Company Reporting and Auditing Group (CRAG)	We participated in discussions among the CRAG members on key reform issues proposed in the BEIS consultation of "Restoring trust in audit and corporate governance," which has contributed to the IA's response.

### Engagement case study

#### Tesco PLC

In September 2014, Tesco announced that it had uncovered an overstatement of expected profit in its results, principally due to the accelerated recognition of income and delayed accrual of costs. The issue was a concerning reflection of the company's strategy, suppliers practices and underlying culture, as well as its processes governing financial audit and risk management. Following this accounting scandal, EOS at Federated Hermes ("EOS") has conducted a substantial number of continuous engagement dialogues with the company on the issues concerned. This included meetings respectively with the senior independent director, the chair, the audit committee chair, and with senior management such as the CEO and the CFO. In 2020, EOS again met with the chair in February as well as with the audit committee chair in May. At both meetings, we gained a reassurance that Tesco has worked hard to rebuild trust with stakeholders and reset its ways of working with suppliers, and that the changes made to financial risk management and audit (including the robust and centralized processes governing risk management and an established culture of transparency) have been working effectively to prevent the previous incident from reoccurring. The company's external auditor no longer raises it as a material concern, although it remains noted as a key audit matter.

We are pleased to see clear changes to the company's

culture and ways of working, including changes to employees' incentives (to remove those relating to percentage margin improvements and etc.). These, along with other changes to processes and culture, appeared to have significantly improved supplier practices. In May 2020 amidst the COVID-19 pandemic, Asset Management One also joined an EOS engagement dialogue with the chief people officer at Tesco to discuss the company's responses to the coronavirus crisis. The effectiveness of Tesco's leadership and of changes in risk management processes and culture has been well demonstrated through its swift operational responses during this pandemic. Meanwhile, we think the strengthened relationship with suppliers and its efforts to rebuild trust with other stakeholders including employees, have also resulted in an engaged and motivated workforce which has enabled its responses.

As for the next steps of the engagement with Tesco, the link between strategy, conduct and culture, as well as human capital management and treatment of suppliers will remain important topics for our engagement with Tesco, particularly given the leadership transition to a new CEO and CFO and against the background of the economic and social impacts of coronavirus, which continue to disrupt the retail landscape and present notable challenges and competitive opportunities.

## Asset Management One's Approach to the Exercise of Voting Rights



### Voting policies and process

#### Exercise of voting rights objective

With a corporate message of "Creating a sustainable future through the power of investment," we carry out appropriate stewardship activities as an asset management company that contributes to our clients and society. By promoting optimal allocations of society's resources, we strive to help the economy and society develop soundly.

We view the exercise of voting rights as one of the most important ways that we fulfill our stewardship responsibilities. In actually exercising voting rights, we strongly urge companies to conduct management for the purpose of raising corporate value over the medium to long term and encourage healthy corporate behavior under appropriate governance that gives added consideration to the environment and society.

#### Integrating voting and engagement

We judge proposals based on standards for exercising voting rights established in advance for each type of proposal. But these judgments are not a mere formality; rather, we put emphasis on deciding whether to vote for or against a proposal based on engagement with the investee company.

#### Appropriate management of conflicts of interest and deliberation on proposals

The Responsible Investment Committee, which was established as a management policy committee, oversees overall stewardship activities, starting with voting, and appropriately manages conflicts of interest. The committee deliberates on the most important proposals from a conflict of interest standpoint. The Exercise of Voting Rights Committee, a sub-committee of the Responsible Investment Committee, deliberates on proposals determined to be important based on AM-One criteria (excludes the most important proposals from a conflict of interest standpoint).

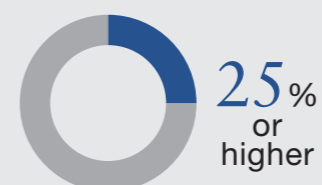
### Revisions to AM-One Proxy Voting Guidelines

► Raised the standards for the number and percentage of outside directors on the Board of Directors to "2 or more" and "25% or higher"

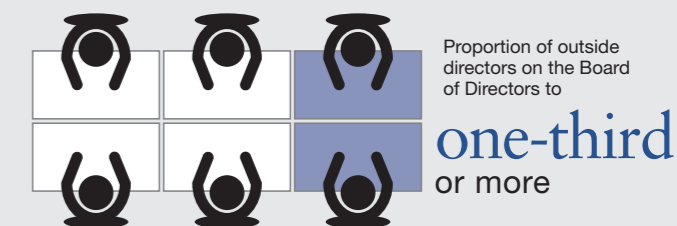
Number of outside directors on the Board of Directors



Percentage of outside directors on the Board of Directors



We are considering raising the standard for the proportion of outside directors to one-third or more starting in April 2022.



► Relationship with engagement

States AM-One's thinking (ideals) on each of E, S, and G issues and then clearly indicates that director election proposals may be opposed under certain conditions.

#### Standards for the composition of the Board of Directors

Outside directors represent the common interests of shareholders, including minority shareholders, and we believe that an increase in outside directors is directly tied to raising corporate value. Revisions made to the guidelines in 2021 upped the standard for the number and percentage of outside directors on the Board of Directors from "2 or more" and "20% or higher" to "2 or more" and "25% or higher." We are also considering further raising the proportion of outside directors on the board to one-third or more starting in April 2022.

The 2021 guideline revisions also further clarified the relationship between engagement and the exercise of voting rights. In order to further raise the effectiveness of engagement with investee companies, we laid out our thinking (ideals) on each of E, S, and G issues and included a statement indicating that we would promote improvements through dialogue with investee companies and, if necessary, incorporate engagement outcomes into voting decisions. The revisions clearly state that under certain conditions we may even oppose director election proposals. Our belief that engagement is fundamental as a means of raising corporate value remains unchanged, but by further clarifying its relationship to the exercise of voting rights, we hope to contribute further to raising sustainable corporate value.

### Covid crisis response and looking ahead

With regard to exercising voting rights during the coronavirus pandemic, from the perspective of responding to the crisis and looking ahead to its abatement, we firmly believe that the interaction of efforts by investee companies carrying out crisis response and initiatives that adequately consider various stakeholders, including not only customers but supply chain partners, makes a positive impact on industry as a whole, raises the level of post-crisis resilience, and promotes reforms for strong, sustainable business models.

The impact of the Covid crisis would vary depending on the sector and company, but from the perspective described above we have requested that investee companies not only disclose the impact of the crisis on short-term performance but also, to the extent possible, considerations and approaches they have made related to employee safety, business partners, and local communities within their cash flow allocations and business operations. With regard to judging proposals put before shareholder meetings, we are placing more emphasis on engagement related to such disclosures and their content, while also maintaining conventional criteria like financial performance.



## Our Expectations for Companies

### More sophisticated skill matrixes

AM-One had typically requested investee companies to disclose a skill matrix, and many companies are now doing so after revisions to the Corporate Governance Code in 2021. As of now, we are first asking companies to create and disclose the matrix, and also to consider the following perspectives.

#### 1 Consistency with company vision

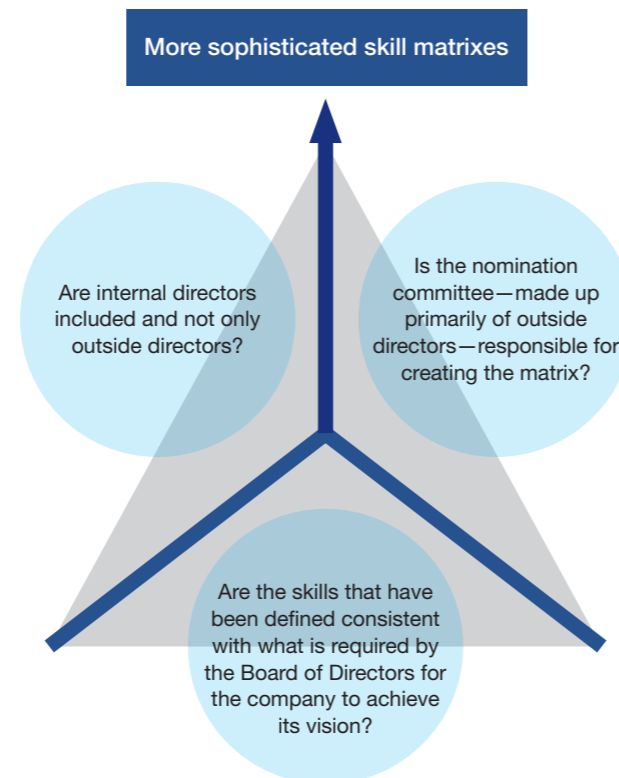
The so-called "skills" that are defined need to be consistent with what is required of the Board of Directors to achieve the company's vision.

#### 2 Both outside and internal directors

A skill matrix establishes a company's approach to the overall balance of knowledge, experience, and abilities of the Board of Directors and its diversity and size, and then organizes this information for each director in a table format. A skill matrix, therefore, needs to include information not only for outside directors but also internal directors.

#### 3 Created by nomination committee

Creation of the skill matrix should be the responsibility of a nomination committee made up primarily of outside directors.



Defining skills is actually a very difficult task, but in the notice of its April 2021 general meeting of shareholders, Sekisui House included a skill matrix and disclosed its reasons for selecting the six individual skills that it did—this is very useful information for investors.

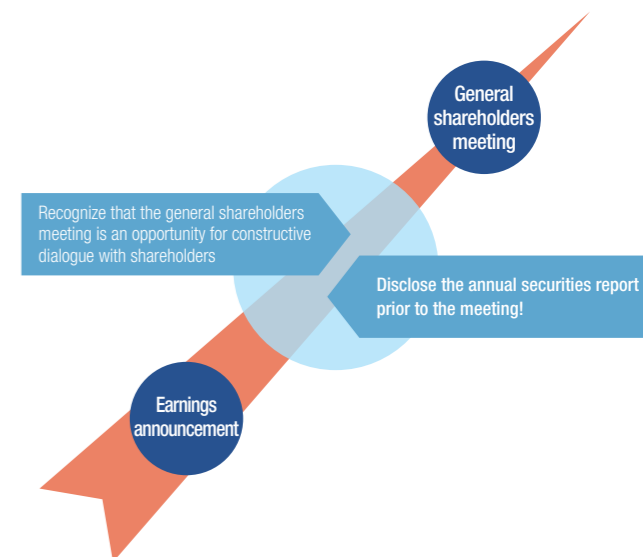
#### “Reasons for selecting each item in the skill matrix” from Sekisui House’s notice of its general meeting of shareholders in April 2021

Skill Category	Reason for Selection
Corporate management Business strategy	We are a leading company in the housing industry and have constructed a cumulative total of 2.5 million dwellings. In order to formulate sustainable growth strategies in a drastically changing business environment, we need directors with management experience and a proven track record in housing, construction and urban redevelopment. In addition, in order to realize and promote our global vision of proposing happiness through the integration of technologies, lifestyle design and services, we need directors with management experience and a proven track record in different industries, especially in the consumer service sector for health, connectedness and learning.
Overseas business International knowledge	In order to formulate growth strategies and provide management supervision for our overseas business, which is a growth segment, we need directors with extensive knowledge of and experience in overseas business management, living, culture and business environments.
Financial strategy and accounting	In order to formulate financial strategies that will not only ensure accurate financial reporting, but also build a strong financial foundation, promote growth investments including M&A to sustainably enhance corporate value, and strengthen shareholder returns, we need directors with solid knowledge and experience in finance and accounting.
Technology and quality Environment	In order to supply high-quality, technologically advanced housing that combines safety, security and comfort, and to further advance and deploy our sophisticated environmental technologies and solid construction capabilities, we need directors with a track record of promoting innovation, and sound knowledge and experience in technology, quality and the environment.
Human resource development Diversity Improvement of social value	In order to provide houses where customers can feel happier, we need to formulate human resource strategies that enable all employees to fully display their skills. To achieve this, we need directors with solid knowledge and experience in human resource development, including the promotion of diversity.
Governance Risk management Compliance	Establishing an appropriate governance system is fundamental for sustainably enhancing corporate value. In order to improve the effectiveness of management supervision by the Board of Directors, we need directors with solid knowledge and experience in corporate governance, risk management and compliance.

### Disclosure of securities report prior to shareholder meeting

It is currently possible, in terms of systems, for companies to disclose their securities reports prior to their shareholder meetings, but most companies disclose the reports after the meeting, and investors have access to information on the recently ended fiscal year only after the meeting is over. For example, information on cross-shareholdings at the end of the fiscal year can only be found in the securities report, so when making voting decisions based on cross-shareholdings, investors have to use data as of the previous fiscal year's closing.

In the government's Guidelines for Investor and Company Engagement as well, which were revised this year, "Does the company consider measures to enhance constructive dialogue with shareholders, for example, by submitting the annual securities report prior to the date of the general shareholder meeting?" was among the revisions, so going forward it is expected that companies will disclose their securities reports prior to their shareholder meetings. This issue is connected to promoting dialogue with shareholders and the ability to obtain useful information when exercising voting rights, so it is preferable that companies release their securities reports prior to the shareholders meeting, and we would ask that companies consider doing so.



### Dialogue with outside directors

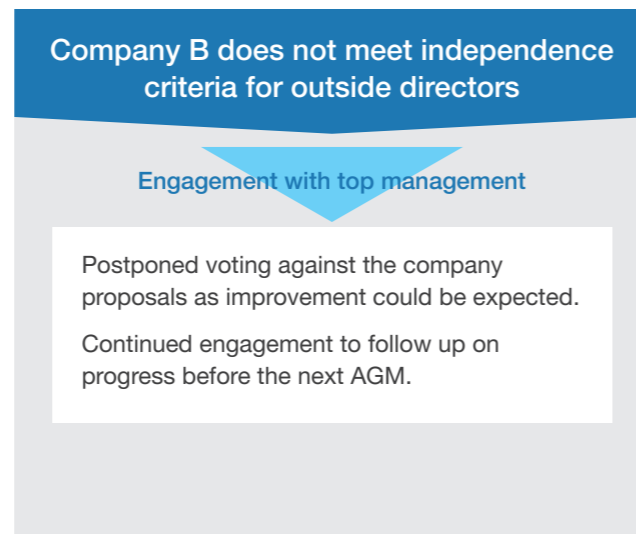
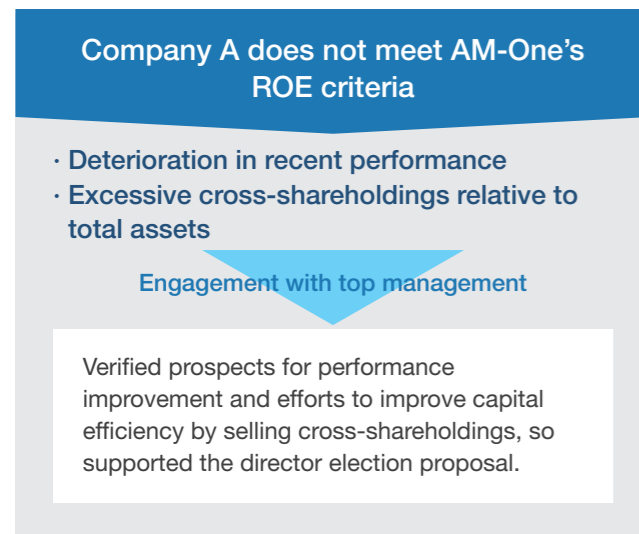
The Corporate Governance Code was revised in 2021, and one of the important points from the perspective of institutional investors is its increased focus on dialogue between outside directors and institutional investors. Companies have provided with us many opportunities to talk with outside directors, but we think these opportunities will increase further going forward. More and more companies are including comments from outside directors and interview-based articles in their integrated reports and other disclosures, and this information is very helpful for gaining an understanding of outside directors' awareness of problems. Along with these disclosures, opportunities to directly interview outside directors and have them explain the company's vision for the medium to long term and talk about the discussions that took place on important proposals, such as for the election of directors, contribute significantly to building trust with investors. Also, recently, there are increasing examples of outside directors attending and speaking with us at meetings related to important shareholder meeting proposals, and we would ask that companies be proactive in this regard.



## Integrated Approach to Engagement and Voting

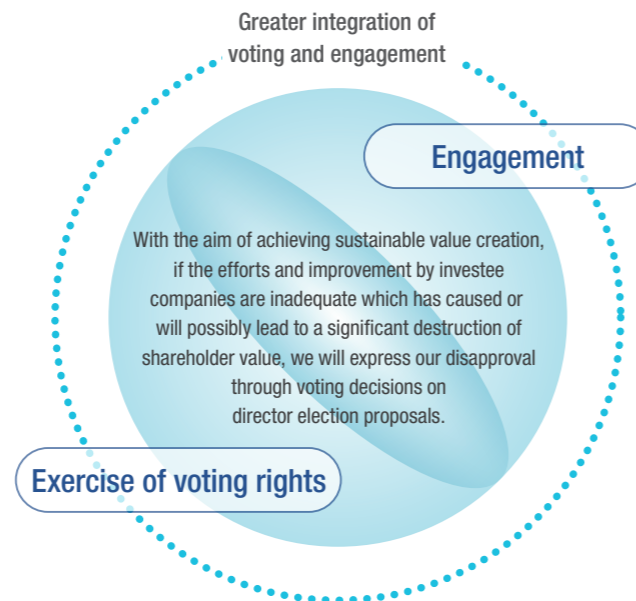
### Examples of voting decisions to reflect engagement progress (support by exception for proposals that do not meet voting guidelines)

AM-One makes voting decisions on individual proposals based on engagement with companies, instead of adopting box-ticking exercise. For example, there is the case of a company that did not meet our ROE criteria. The company's recent performance had not been satisfactory, and we think the cross-shareholdings are excessive compared to its total assets which have led to the low ROE. Following our discussions with the company, however, we verified that the performance is likely to improve and we also gained an assurance that the company was working to improve its capital efficiency by selling cross-shareholdings. As such, we were able to support its proposal for director's election. Another company for many years had only appointed outside directors from within its group companies. We engaged with its top management and learned that improvements could be expected, so we voted in favor of the company's proposals by exception. And we continued our engagement dialogue to follow up on its progress ahead of the next AGM.



### Escalation

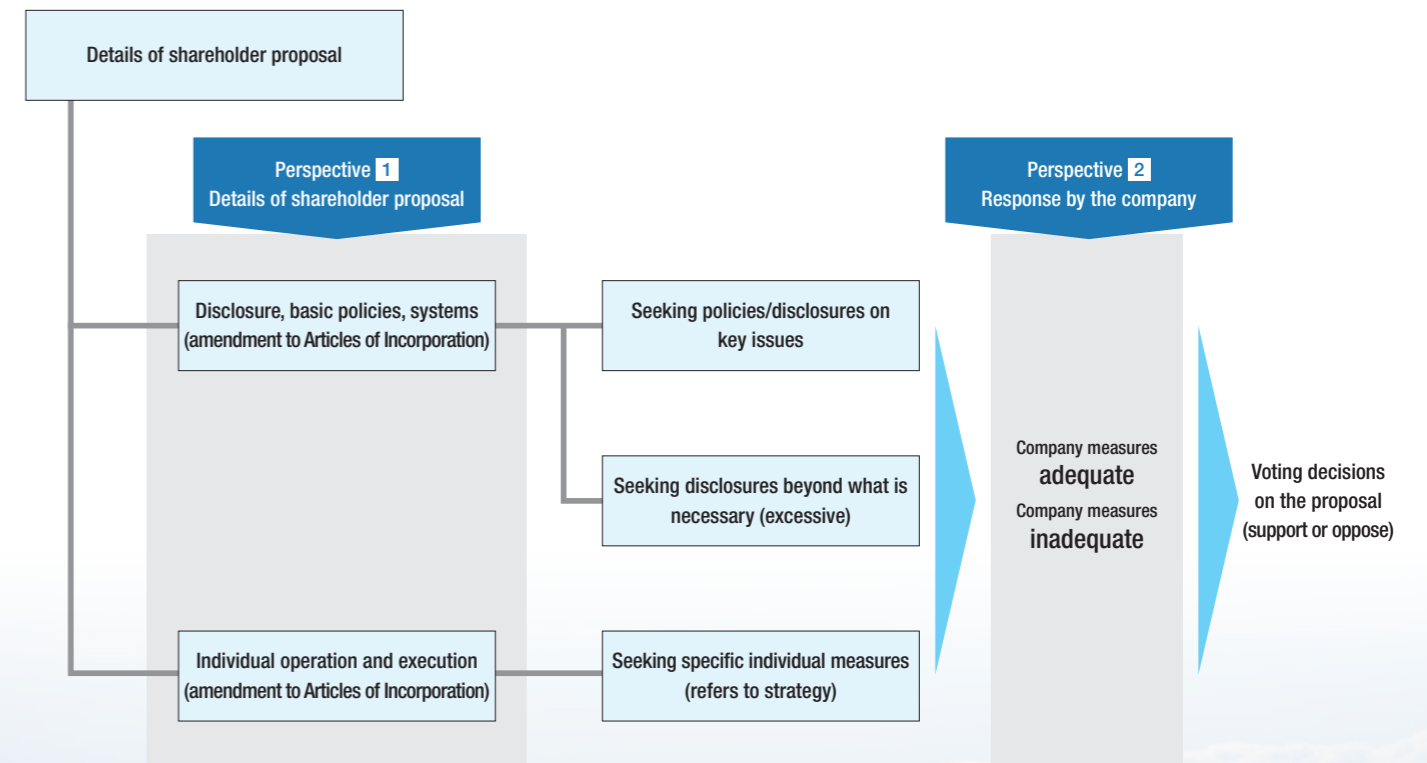
In this fiscal year's revisions to our Proxy Voting Guidelines, voting considerations have been further integrated with engagement activities. Companies have a wide range of E, S, and G issues to address in achieving sustainable growth. AM-One seeks improvement through engagement for the material issues facing each company. If the steps are taken, however, are not adequate and shareholder value is significantly damaged as a result, or if the risk of shareholder value destruction is expected to be high, we will reflect the disapproval in our voting decisions on director's election proposals. We may take such actions, for example, if a company proposed each year for outside director candidates who are lacking independence or other key governance-related concerns remain unaddressed (G), if a company's climate change related disclosures are inadequate (E), or if diversity issues (including gender diversity), or supply chain measures related to CSR procurement etc., have caused substantial concerns (S).



### Shareholder proposals (climate change)

Last year, a shareholder proposal related to climate action was submitted to Mizuho Financial Group. And going forward, such shareholder proposals are expected to become more widespread. So, we have revised our voting guidelines for related shareholder proposals and provided clarity on our approach. First of all, with regard to shareholder proposals, we considered two perspectives: whether the proposal is related to disclosures, basic policy and management systems or related to specific business activities, and whether or not the company's steps and measures are adequate. For proposals related to disclosures, basic policy and management systems, we will generally support the proposal if it does not go beyond what is necessary (not excessive). But if the proposal is about micromanaging individual business operations, we will oppose it in principle. Meanwhile, if the measures adopted by the company are considered more adequate than those requested in the shareholder proposal, we will generally oppose the proposal. These are just the general guidelines, for any shareholder proposals related to climate action, we are committed to assessing individual circumstances and making our decisions on a case-by-case basis.

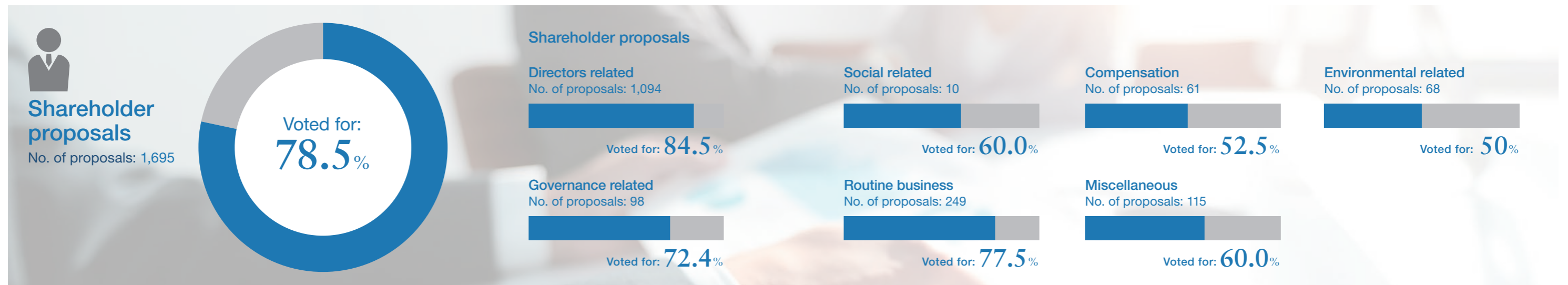
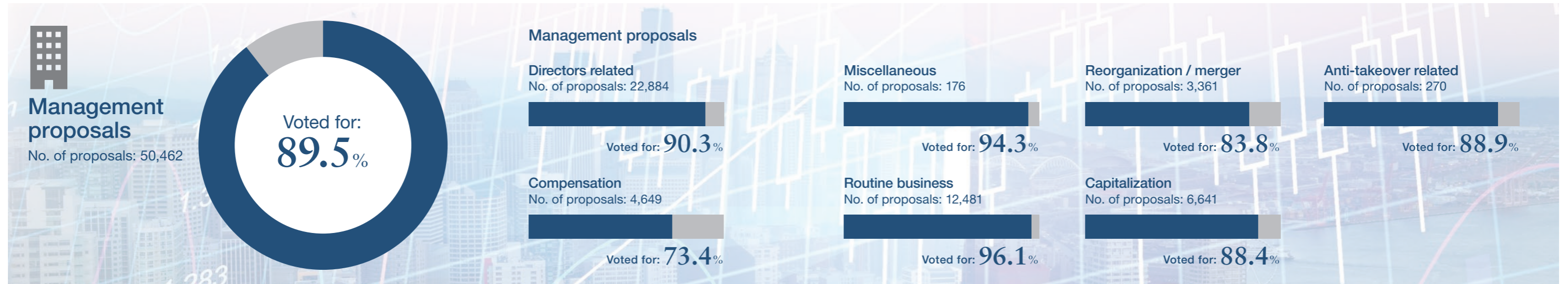
#### Basic approach to exercising voting rights for shareholder proposals on climate change



## Exercise of Voting Rights in ex-Japan Global Markets

### Exercise of voting rights in ex-Japan global markets

(Voting activities: July 1, 2020–June 30, 2021)



#### Engagement Case Study

### Energy Company A

Asset Management One has participated in global investors' collaborative engagement with the Energy Company A, as part of the Climate Action 100+ (CA100+) initiative since it was launched in December 2017. Over the past years, we have joined a number of engagement dialogues with the

company, including a small group of shareholders' call with the chair/CEO and two independent directors of the board. Most recently, the CA100+ investors group also held an engagement conversation with The Energy Company A in March 2021.

The objectives of the CA100+ are set to seek companies for implementing sound governance, defining low-carbon transition strategies, reducing GHG emissions and improving climate-related disclosures. Compared to its sector peers in the UK and Europe, the lack of actions and progress at the Energy Company A in its approaches to climate change matters has been a major concern among investors, although some improvement in related disclosures was made. Furthermore, the company has been underperforming for

years with a deteriorating financial strength, which has also caused questions and concerns about its capital allocation practices. We think there is significant room for further improvement in board governance and its accountability to shareholders.

At the AGMs of 2019\* and 2020, Asset Management One supported a shareholder resolution seeking for appointing an independent chair by separating the role of CEO and chair of the board. In 2020, we also voted against the re-election of an independent director who chaired the Public Issues and Contributions Committee at the time\*, to express our dissatisfaction about the company's poor commitment to tackling climate risks. This year in 2021, The Energy Company A received a shareholder resolution, filed by Engine

No. 1, nominating four directorship candidates to the board. Prior to the AGM, the CA100+ investors also had an opportunity to hear the thoughts and rationales directly from Engine No. 1 and its nominees. Following a careful assessment from our engagement activities and thorough discussions internally, we decided to support the slate of shareholder nominees. The candidates present with relevant and strong business experiences as well as energy sector expertise, which we believe will be helpful to the board in defining and overseeing a strategic plan for sustainable value creation and for greater long-term capital allocation discipline. We are pleased that, out of the four candidates, three were elected to the board at the AGM. We will continue to monitor the progress and engage with the company.

## Summary of Our Stewardship Activities

We are implementing initiatives on sustainability issues with a long-term view, while deepening our exchange of opinions and collaboration with a wide range of stakeholders.

**Toru Terasawa** Head of Responsible Investment Group

There has been a major impact on stewardship activities and engagement. The assumed face-to-face meetings have been replaced by remote interactions, while activities during the shareholder meeting season have been performed on the whole by teleworking.

We have supported the remote environment such as discussions using chat functions, completely paperless voting and engagement with multiple relevant departments of investee companies and have quickly achieved operational and DX reforms.

We had internal discussion over a short period of time at the end of the year, and ultimately through the leadership of CEO Sugano, we announced participation as a member in the Net Zero Asset Managers initiative (NZAM), which aims to achieve carbon neutral by 2050. This led to the establishment of company-wide projects to support the purpose of NZAM and the promotion of measures such as a promotion framework and the establishment of materiality. Integrated with this, we not only incorporated initiatives for governance in the promotion of stronger sustainability initiatives for investee companies but also initiatives for the environment and society into our Proxy Voting Guidelines.

In regard to the assessment from external institutions, the rating of the most recent (FY 2020) PRI scorecard summary is as provided in the table on the right. We received the highest rating for all modules.

### ■ PRI scorecard summary

	2020
Strategy & Governance	A+
Listed equity—Incorporation	A+
Screening	A+
Integration	A+
Listed Equity—Active Ownership	A+
Engagement	A+
Proxy voting	A+
Fixed Income—SSA (sovereign, supranational, agency)	A+
Fixed Income—Corporate Financial	A+
Fixed Income—Corporate Non-Financial	A+
Fixed Income—Securitized	A+

### ■ FY 2021 plan

#### 【Outlook for FY 2021】

- ▶ Interest and initiatives related to sustainability issues such as targeting carbon neutral are accelerating globally.
- ▶ Measures such as strengthening AM-One's own sustainability initiatives by building company-wide sustainability systems are in full swing.
- ▶ Establish the ideal vision for and views that should be incorporated in materiality and reflect these in engagement, exercise of voting rights and active investment.

### ■ FY 2020 results

#### 【FY 2020 Overview】

- ▶ While seeking adequate information disclosure on the response to the crisis, we have started flexible decision-making on the exercise of voting rights.
- ▶ Looking ahead to when the crisis has been resolved, we are communicating with investee companies that we will be more actively progressing initiatives for medium- to long-term ESG.
- ▶ Quickly realizing DX and operational reforms such as inhouse discussion and engagement with investee companies through remote interactions and completely paperless voting.
- ▶ Announced participation in the Net Zero Asset Managers initiative (NZAM).

The attack and threat of Covid-19 on people around the world has completely changed lives in 2020

People no longer commute to school and work and communal dining and events have virtually stopped. The absence of "movement" as many visits and interviews in the business world have been replaced by remote interactions has forced many companies to take immediate action and revise their business models.

AM-One also released "Asset Management One's Stewardship Activities in View of the Novel Coronavirus (Covid-19)" when the State of Emergency was declared, seeking adequate information disclosure on the response to the crisis, while starting flexible decision-making on the exercise of voting rights. We also communicated to companies that we will be more proactively progressing initiatives for medium- to long-term ESG, looking ahead to when the crisis has been resolved.

We have added DX (Digital Transformation) as a priority engagement theme since stronger initiatives for company-wide DX should be implemented to further strengthen the governance structure.

While the impact of Covid-19 continues in FY 2021, in addition to moves to look ahead to the post-Covid situation, more than anything there is acceleration on global action for sustainability issues such as targeting carbon neutral.

Reflecting on AM-One's initiatives to date, the establishment of a new business model of engagement through ESG analysts concerning the "passive investment oriented stewardship activities" that AM-One launched in October 2016, was the first stage. The second stage is "ESG integration," which expands to active investment combining the qualitative information built up from the engagement activities in the first stage with quantitative information such as ESG data. Strengthening sustainability initiatives for product composition, the provision to customers, the investment structure, and for our own Company through "building the company-wide sustainability structure," an initiative we commenced last fiscal year, shall be the focus of activities in the current fiscal year as the third stage.


Establishing the ideal vision for and views that should be incorporated in materiality, looking ahead to sustainability issues with global considerations, we reflect these in our engagement, exercise of voting rights and active investment. Furthermore, we will accelerate these initiatives by sharing them with customers.

Upgrading know-how of quantitative analysis in ESG sustainability areas such as understanding and estimating greenhouse gas emissions, measuring the effect of the ESG score and engagement effect in addition to carbon pricing as well as measuring the effectiveness of impact investment are important issues for ESG investment. We are accelerating initiatives, investing in measures such as quantitative investment department resources that analyze statistics.

We are implementing initiatives on sustainability issues with a long-term view, while deepening our exchange of opinions and collaboration with a wide range of stakeholders such as NGOs and customers in addition to the authorities and academics cultivated to date.

## Self-Evaluation of FY 2020 Stewardship Activities

We undertook self-assessment (reflection) for each principle and guidance in the FY 2020 Stewardship Code. Asset Management One proactively implements stewardship activities with the aim of increasing medium- to long-term investment returns of our customers by fostering sustained growth and increased corporate value of our investee companies. The details of specific initiatives are as follows. The details of stewardship related activities and the self-assessment have been confirmed as appropriate by the “Responsible Investment Committee,” established as a Business Policy Committee.



Please refer to the following for details of our self-evaluation

- ▶ FY2020 Summary: [http://www.am-one.co.jp/img/company/36/2020\\_stewardship\\_summary.pdf](http://www.am-one.co.jp/img/company/36/2020_stewardship_summary.pdf)
- ▶ FY2020 Details: [http://www.am-one.co.jp/img/company/36/2020\\_stewardship\\_details.pdf](http://www.am-one.co.jp/img/company/36/2020_stewardship_details.pdf)

### Plan FY 2020 Issues Reflections on FY 2019

#### Implemented effective SS activities through coordinated collaboration

▶ We conducted effective stewardship activities, strengthening our action on all aspects of the investment chain for the purpose of sustained growth and improved corporate value of investee companies in response to social requirements, change in external environment, and revisions to Japan's Stewardship Code while deepening coordinated collaboration.

#### Investing in management resources to strengthen SS activities

▶ Through continuous investment in management resources such as the assignment of people with extensive experience in asset management operations, we strive to grasp the appropriate issues from medium- to long-term considerations such as social and environmental problems and continue initiatives that foster sustained growth and improvement in the corporate values of investee companies.

#### Continue to appropriately revise the Proxy Voting Guidelines

▶ We continue to appropriately revise the Proxy Voting Guidelines and criteria for decisions on voting items in light of change in corporate governance related legislative systems, regulations and related debate. In addition, we aim to enhance the explanation of the reasons for our voting decisions on the Company's website.

### Do & Check Main initiatives in FY2020 Self-evaluation, etc.

#### Main initiatives

##### Popularization and promotion of ESG

- ▶ The Company released “Asset Management One's Stewardship Activities Policy in View of the Novel Coronavirus (Covid-19)” on the Company's website (May 8, 2020).
- ▶ The Company released “Initiatives to Achieve Asset Management One's Social Mission” (February 1, 2021). We have communicated the corporate message “Creating a sustainable future through the power of investment” both inside and outside the Company.
- ▶ Details on the Company's initiatives to deal with climate change, including the response to TCFD in stewardship activities, are disclosed in our Asset Management One Stewardship Report 2020/2021.
- ▶ We continue to strengthen our influence on various investment chains, relevant authorities, industry groups, academic experts and various initiatives (Climate Action 100+, an institutional investor initiative on climate change action, FAIRR, an initiative of global investors on livestock, 30% Club Japan Investor Group, which aims to increase the proportion of female directors, and Access to Medicine, which aims to improve access to medicines, etc.).
- ▶ We cooperate with investors and investee companies to formulate an efficient and effective ESG Information Disclosure Network and standards through activities of the International Integrated Reporting Council (IIRC) and the ESG Disclosure Study Group, which we joined this year as well as the Sustainability Accounting Standards Board (SASB).

##### ESG investment

- ▶ We were the first Japanese asset manager to join the Net Zero Asset Managers initiative, which has a goal of net zero by 2050.

##### Engagement

- ▶ Conducted proactive engagement in key issues (materiality) to achieve the company's long-term vision in light of Covid-19.
- ▶ Full-fledged start of engagement with the addition of “digital transformation (DX)” as a materiality for ESG engagement.
- ▶ Improved the analysis of ESG data and the ability for objective understanding by enhancing the use of external ESG information vendors.
- ▶ Understanding global environmental and social issues through collaboration with NGO, etc.

##### Exercise of voting rights

- ▶ Revised the Proxy Voting Guidelines/criteria for decisions on voting items (applicable from the shareholder meetings held on or after April 2020)
- ▶ We provide feedback on the results of our voting decisions to investee companies while promoting initiatives to increase corporate value, conveying our concerns about corporate governance and the direction of our proxy voting guidelines, etc.
- ▶ Decisions are made on shareholder proposals from the perspective of increasing corporate value upon confirming the background as much as possible, not only in relation to the company's opinions but also shareholders' opinions.
- ▶ We disclose the reasons and details concerning our voting decisions in relation to our Group companies and in relation to companies that have experienced a material impact on corporate value due to scandals.

##### Organizational structure, etc.

- ▶ We have strengthened the framework for promoting stewardship activities. In addition to the “Responsible Investment Group,” an ESG dedicated division, we established the “Corporate Sustainability Office” to promote corporate sustainability and established the “Sustainability Investment Team (SIT)” in the Equity Investment Division.

#### Self-evaluation, etc.

##### Self-evaluation

- ▶ Evaluation that stewardship activities in FY 2020 were generally conducted appropriately.

##### Reference (external evaluation)

- ▶ We once again received an “A+” rating for Strategy & Governance in the PRI scorecard summary, as we did in the previous year. By asset category, we also received “A+” rating for all fixed income modules in addition to equities managed in-house.
- ▶ We won the Best ESG Engagement Initiative in the Asia Asset Management “2021 Best of the Best Awards.”

### Action Future issues

#### Rebuilding company-wide structure

▶ We will rebuild the company-wide structure, including sustainability-related governance and response to customers, and integrate management of sustainability. We aim to increase medium- to long-term investment returns for customers and beneficiaries by increasing the corporate value of investee companies, appropriately fulfilling our stewardship responsibilities by strengthening ESG investment and improving engagement and our exercise of voting rights, including the stronger collaboration of the Corporate Sustainability Office, Sustainability Investment Team (SIT), and the Responsible Investment Group.

#### Identify investment materiality

▶ We will dynamically understand ESG issues for the environment and society from global trends and movements of major actors such as NGOs and initiatives, and identify materiality to improve the corporate value of investee companies and to develop a sustainable society.

#### Accelerate initiatives to address climate change problems as an asset management company

▶ We will set and disclose interim targets to achieve the net zero greenhouse gas emissions by 2050 prescribed by the Net Zero Asset Managers initiative, influencing various stakeholders including investee companies, customers and authorities and fulfilling our role as an asset management company to achieve net zero for society as a whole.

#### Enhance engagement activities to foster sustainable transformation (SX)

▶ Companies are further required to implement initiatives to solve environmental and social issues with medium- to long-term considerations based on solid corporate governance for sustainable development of society, and we will enhance engagement activities to foster sustainable transformation so that such initiatives improve corporate value.

#### Clarification of the escalation process

▶ We will continue to deepen discussion with investee companies from the perspective of improving corporate value and exercise voting rights accordingly. We aim to clarify the escalation process in the event that no signs of improvement are evident in the initiatives of investee companies despite continuous engagement.



## Asset Management One's approach to ESG Integration

### Integrating our materiality analysis into investment decisions

As an asset manager, we conduct materiality analysis to identify key global environmental and social issues that need to be addressed for "Creating a sustainable future through the power of investment." We are also working to build a framework that enables us to assess measures taken by investee companies, from both quantitative and qualitative perspectives, with regard to the materiality issues identified and their significance to each company.

Specifically, we anticipate major changes in the economic and industrial structure as companies work to resolve the environmental and social issues identified in the materiality map. We will utilize ESG macro research, which we introduced this fiscal year, to conduct thematic research from a "back casting" perspective, taking into account potential policy changes in 10 to

20 years in order to identify opportunities for value enhancement over the medium to long term.

We also conduct a multifaceted analysis of the physical risks and transition risks resulting from the escalation of environmental and societal issues identified in our materiality analysis, and utilize a wide array of quantitative and qualitative information to assess the status and measures taken by companies. For each of the main materiality issues (three focus areas), we set minimum expectations for actions that we seek investee companies to implement, and will reflect these in our investment decisions. Meanwhile, we engage with companies that do not meet these criteria, and if the progress is inadequate, we will further consider voting against management proposals for the election of directors.

### Further enhancing our ESG investment

In order to gain an accurate picture of a companies' ESG performance, we use multiple external data sources as quantitative information, and also share engagement dialogue records compiled in our proprietary milestone management system as qualitative information. However, one challenge faced is that ESG scores vary between rating companies, and there is currently no common standard that is acknowledged as a common benchmark among investors and companies. By monitoring the processes and systems by which ESG rating companies establish their scores, we utilize these scores and data

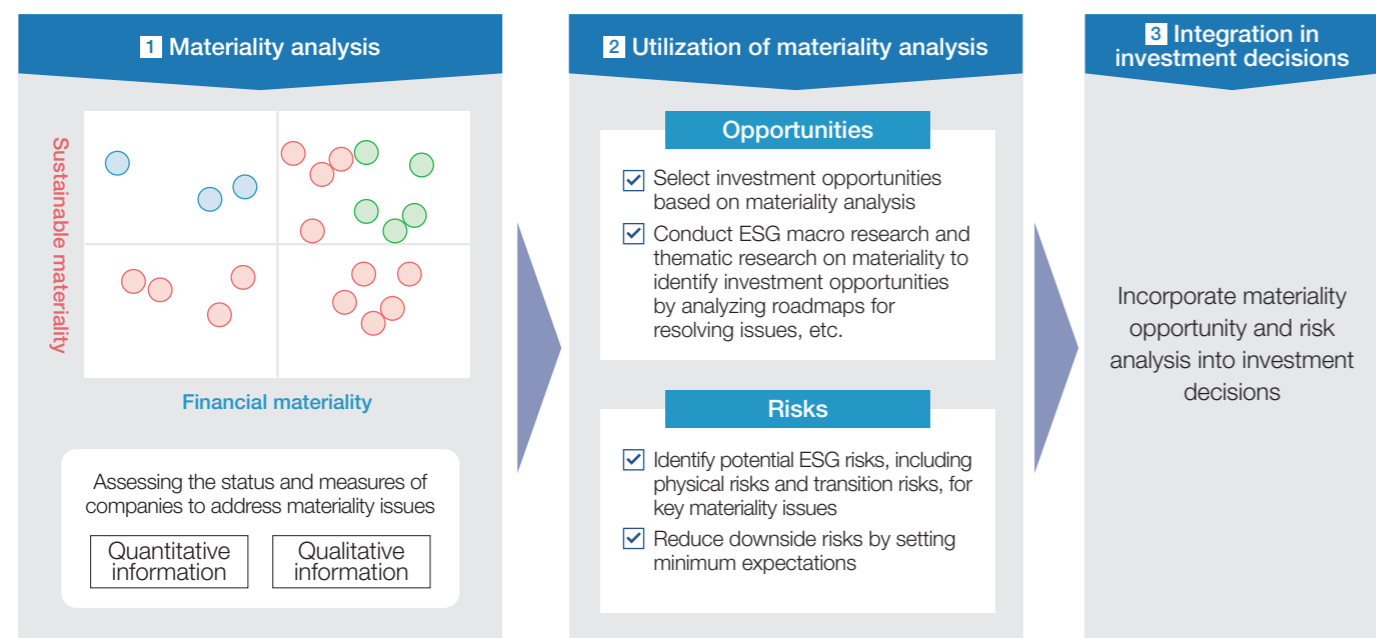
of respective rating companies based on a better understanding of their specific features, while also engaging with them to facilitate improvements in this area. We are also working to enhance the overall level of our ESG investments by participating in a research project conducted by the Massachusetts Institute of Technology (MIT) Sloan School of Management Sustainability Initiative, and analyzing engagement activities from an academic perspective together with Waseda University and a group of European universities and research institutions, while also collaborating with other academic institutions.

### Delivering investment products for a sustainable society

Through incorporating the materiality analysis into our investment decisions and further enhancing ESG investment approaches, we proactively integrate ESG evaluation processes into all of our funds.

In our active investment, we aim to direct capital to support and help create a sustainable society ("active investment that sets the flow") by investing in companies that will be the driving force in realizing a sustainable society, based on solid evaluation of company-specific materiality in terms of both risks and opportunities.

Meanwhile, in our passive investment, we will further strengthen the link between effective engagement based on materiality analysis and the exercise of our voting rights. We intend to drive the market as a whole towards a sustainable society ("passive management that moves mountains"). By delivering this passive investment with intensive engagement and active investment that drives capital towards sustainable value creation, we aim to realize a sustainable society along with economic prosperity and wellbeing.



## ESG Integration in Equity Investment

### ESG integration for active investment in Japanese equities

There are major growth opportunities for businesses contributing to solving environmental and social issues amid the significant changes taking place in the economic and industrial structure for a sustainable society. It is imperative that companies adapt to such changes. Awareness and responsiveness to the materiality of issues such as climate change, human rights and social inequality, etc. have become the most important matter for management quality.

#### ESG macro research

Multiple factors such as innovative technologies, administrative and legislative system reforms and changes in people's behavior are likely to have an effect on solving various environmental and social issues for a sustainable society. ESG macro research with a top-down approach will be helpful to understand such changes.

In ESG macro research, rather than taking a forward looking perspective for respective materiality issues from the current situation, we first envision the future for having solved each issue and examine using a backcasting approach to thinking about the roadmap to achieve such a future vision.

Research involves detailed examination after segmenting the issues within each materiality and analyzing what is required to solve each issue. For example, for climate change this does not simply mean fossil fuels used in power

We regard ESG factors as one source for added value and integrate ESG considerations from both perspectives of value creation (such as business opportunities that contribute to solving environmental and social issues) and downside risk mitigation (such as the negative impact of environmental and social environment changes on existing businesses or stranded assets etc.).

generation and automobiles. It is also important to breakdown and analyze issues such as food and livestock production, deforestation, etc. We conduct diligent research on the regulatory trends and technological solutions for these segmented issues, to identify investment opportunities and also appropriately understand the projected increase in response cost for existing businesses and the risks of becoming stranded.

In addition, materiality issues could cause major changes in the economic and industrial structure and that impact could be spread across multiple industries. Therefore, we have assigned analysts with dedicated responsibility for ESG macro research, who cooperate closely with the sector analysts, to enhance the quality and effectiveness of our research on materiality.



#### Incorporate ESG materiality in valuation of companies

It is important to appropriately reflect the business opportunities and risks identified through ESG macro research into investment decisions in line with each company's business model.

We conduct a detailed evaluation of business opportunities and risks relating to environmental and social issues, through qualitative insights from engagement activities and company meetings as well as quantitative analysis based on company disclosures and information from external ESG data providers. In particular, when evaluating business opportunities it is vital to have in-depth knowledge and understand the details of each company. Our dedicated sector analysts scrutinize and evaluate the business in detail by company, which is used in the investment decisions.

In addition, it is also important to analyze key ESG information such as GHG (Greenhouse gases) emissions by comparison between companies and in time series. We have a specialist team that collects and analyzes such quantitative data to support and increase the effectiveness of research.



#### Utilize in the investment decisions

We have set minimum expectations for companies with regard to key materiality issues such as climate change measures, response to diversity and human rights that are currently attracting heightened social awareness. Companies that do not meet such criteria will be excluded from investment by ESG-focused funds, and we will also engage intensively with these companies seeking improvement.

In addition, for companies that resolve environmental and social issues as business opportunities, we are also working to analyze their contribution to such issues. We strive to meet the specific needs of various clients in combination with ESG integration.



## ESG Integration in Fixed-Income Investment

### Incorporating ESG into the process of creditworthiness assessment through ESG integration and engagement

As a responsible steward for our clients' assets, we are also committed to conducting solid ESG analysis and materiality considerations in the process of fixed-income investment, with an aim of achieving long-term returns and discharging our social responsibility. We have adopted a well-defined and systematic approach to credit analysis, integrating ESG assessment and engagement activities in the process of making investment decisions.

Our strong capability in credit analysis in Japan, undertaken by long experienced credit analysts, provides AM-One with a unique competitive advantage. The credit analysis is supported by our extensive qualitative insights of non-financial factors through frequent communications and active engagement with issuers and the ability to identify key material issues, in addition to analyzing the quantitative financial indicators.

We do not regard or evaluate ESG factors as a box-ticking exercise in our investment process. Instead of mechanically excluding companies from the investment universe only for a low ESG score, we adopt a holistic approach in our decision-making process for the respective funds, paying attention to and analyzing the ESG impact on B/S forecasts and financial stability that may affect the issuer's credit. For example, in cases where the credit spread of a company has excessively widened due to some scandal or wrongful incident, through our thorough analysis of the company from the credit perspective on its remedial response and measures, if we think that the credit spread would likely reverse to be tightening, we would regard the case as an opportunity for positive changes at the company and for upside investment returns. Therefore, we believe that the "direction" assessment in our credit analysis framework is an important step in understanding a company's direction of travel and forming a forward-looking view.

#### ESG integration using a proprietary analysis framework and focusing on impact on issuers' creditworthiness



#### Evaluation examples of ESG issues by company

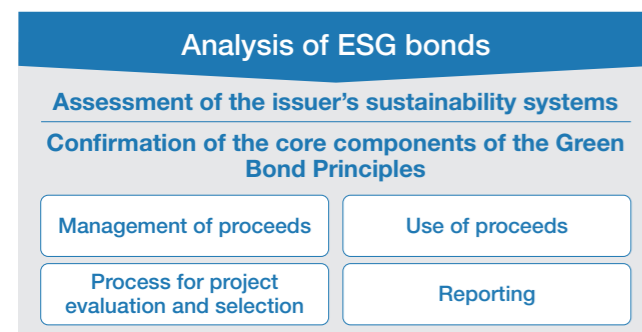
	Category by theme		Analyst evaluation		
	ESG issues	Category	(1) Time Horizon	(2) Impact	(3) Direction
Company A	Climate change	E1	—	▲	↓
Company B	Board governance/Corporate governance	G0	1	○	↑
Company C	Board governance/Corporate governance	G0	1	×	↓

### Our approach to the growing issuance of ESG bonds

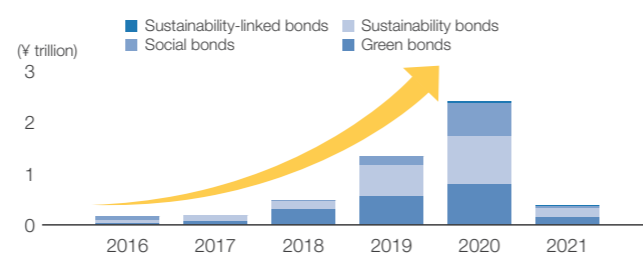
We are proactively taking steps to realize active returns, considering the schemes, yields and spreads for such ESG bonds.

When analyzing ESG bonds, we assess the sustainability structure of the issuers and evaluate whether they align with the four core components of the Green Bond Principles, being (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds and (4) reporting.

JPY 2.4 trillion of ESG bonds were issued in FY 2020 (+80% year-on-year), maintaining a growth trend. This is attributed to the increased interest in ESG by both investors and issuers. In addition, a feature in FY 2020 was the increased issuance of sustainability bonds. Given the increases in diverse types of issuances such as sustainability-linked bonds and transition bonds, we anticipate the market will continue to grow in size. We will proactively implement initiatives from the perspective of social contribution as well.



#### Issuance of ESG bonds in the Japanese bond market



Source: AM-One (as of June 2021)

### Example of investment and ESG integration: Real estate (sustainability bonds)

In July 2020, the company issued the first sustainability bond in the Japanese real estate sector with the objective of resolving social issues and considering the environment (JPY 40 billion). We made the investment decision following a thorough evaluation that it meets the four requirements in the Sustainability Bond Guidelines and is considered as an initiative to increase the company's sustainability.

It aims to improve the appeal of the Yaesu, Nihonbashi and Kyobashi area by solving societal issues in the area, and we believe that the increase in the value of total office building portfolios will contribute to improving the financial stability of the company based in that area. This social project contributes to (1) basic infrastructure development, access to essential services, (2) socioeconomic advancement and empowerment, and (3) food security. In addition, in regard to green projects, the plan is to obtain the highest or second-highest certification from various green building certification organizations. The targets set in June 2021 for greenhouse gas emissions reduction is to achieve net

zero CO<sub>2</sub> emissions by FY 2050, and 40% less by FY 2030 versus 2019 baseline. The company also targets at 100% renewable energy power consumption in its business activities by FY 2050, and 40% of power consumption in the real estate of its building business to be from renewable energy by FY 2030.

In addition to climate change and sustainability-related initiatives, we are also aware of some challenges facing the company relating to the maintenance of financial controls, given the increased investment requirement from the planned large-scale development and the changing office environment caused by Covid-19. We will closely monitor and discuss this during our dialogues with the company.

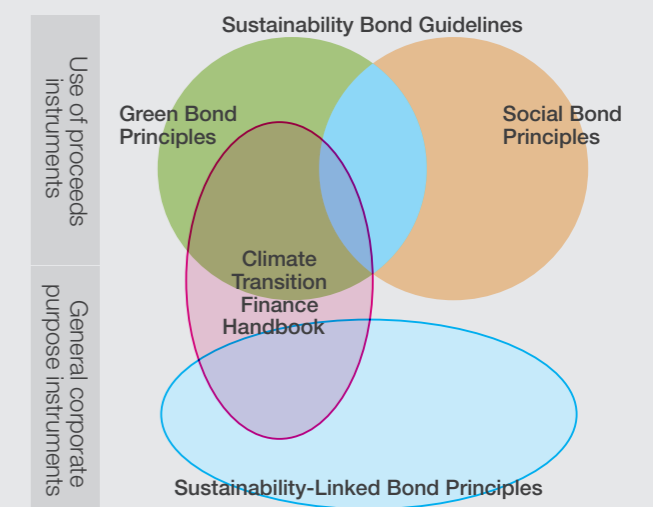
Business strategy		Analyst evaluation		
ESG issues	Category	① Time horizon	② Impact	③ Direction
Climate change	E1	—	○	—

### New form of ESG bond issue, transition bond

Attention to achieving a decarbonized society is growing worldwide and The Japanese government has also declared "Carbon Neutral by 2050" and announced a target to cut emissions by 46% by 2030 against the fiscal 2013 baseline. In order to achieve the targets, it is vital to secure funds for investment in the low carbon transition towards energy conservation and energy conversion. In Japan, the Financial Services Agency, the Ministry of Economy, Trade and Industry and the Ministry of the Environment have joined to launch the "Taskforce on Preparation of Environment for Transition Finance" and formulated the basic guidelines for financing through transition bonds and loans, etc.

Nippon Yusen issued its 43rd and 44th unsecured corporate bonds (total JPY 20 billion) as the first model project under the basic guidelines in July 2021. We anticipate that examples of model issuance will increase following the formulation of roadmaps for each industry. As with ESG bonds such as green bonds, this should bolster Japanese companies' initiatives towards net zero, and we are proactively considering investment upon analysis of inherent risks.

#### Requirements for transition bonds



Source: ICMA Climate Transition Finance Handbook

#### Expected disclosure elements (four key elements)

- 1 Transition strategy** Incorporate a long-term target that aligns with the Paris Agreement goals, short- and medium-term targets, disclosure on the roadmap for decarbonization, and strategic planning.
- 2 Business model environmental materiality** Initiatives to achieve the transition strategy should contribute to transforming core business activities that are environmentally material today and in the future.
- 3 Science-based transition strategy** Set science-based targets, and use consistent and quantifiable methodologies to measure. (e.g., SBTi certification)
- 4 Implementation transparency** Provide transparency on the investment plans to the extent practicable. It is recommended that the plan outline the assumed climate-related outcomes and impacts.



## ESG Initiatives in Indirect Investment

### Incorporating ESG perspectives in the monitoring process for external managers and investment funds

#### ESG is a key and an integral part of assessment process in the alternative investments

We have expanded to include ESG considerations into our assessment process for selecting new investment funds and regular monitoring in the area of alternative investments such as private equities, private debt, real estate, infrastructure and hedge funds.

To evaluate from the ESG perspective, we research the investment companies in detail.

Specifically, we check their policies and activities for responsible investment, as well as the status of initiative concerning employees, who are important resources. We believe those points are integral parts in assessing them.

In addition to evaluating these initiatives for responsible investment

of the investment companies, we assess the ESG integration in the strategy level as well. In order to do that, we have discussions with not only investment teams, but also responsible investment teams.

We have already taken this assessment approach for some of investment companies and strategies, and we will expand this to all strategies going forward.

Meanwhile, the Operational Due Diligence Group, which sits in Asset Management One Alternative Investments (AMOAI), the Company's wholly-owned subsidiary, is also actively undertaking various initiatives to further enhance our efforts and capability of evaluating ESG and the SDGs related performance.

#### Enhancing initiatives

##### Expansion of externally managed ESG related products

In 2020, we launched, for retail investors, an equity strategy managed by external managers who weigh ESG during the investment process, following the same kind of products for institutional investors.

We will continue to expand the range of the ESG's strategies in order to meet growing demands among the retail investors.

##### Evaluation of external managers and funds

###### Evaluation of external managers

We have expanded the list of evaluation criteria for ESG and responsible investment, to include monitoring the following items and evaluating the degree of improvement

- Stewardship policies and resources
- Outcomes
- Activities and initiatives undertaken
- Disclosures

###### Dialogues with external managers

We discuss with external managers to encourage continuous enhancement of their approaches and activities

##### Alternative investment

###### Evaluation of the investment company

- Responsible investment policies
- Workforce and resources related approaches and initiatives

###### Assessment of ESG integration in the investment process

- Signing up for the UNPRI
- Incorporating ESG consideration in screening investment assets

##### Expansion to all external funds and managers

Private debt

Private equity

Hedge fund

Real estate

Infrastructure

## ESG Initiatives at AMOAI

### Initiatives to measure and evaluate ESG and the impact an infrastructure debt investment

#### (1) Categorized as Article 8 funds under the EU Sustainable Finance Disclosure Regulation

AMOAI conducts in-house investment of global infrastructure debt funds. These infrastructure debt funds invest in infrastructure projects that provide essential services and goods that fulfill the needs of local communities and economies based on the investment philosophy of "Essentiality," and incorporate ESG into the investment and monitoring process. Specifically, when making investment decisions, we confirm if such project complies with the Equator Principles and if there are any problems from an environmental perspective such as air pollution and biodiversity or from a social perspective such as land acquisition, and also monitor that there is no negative impact on the environment or society after making the investment. Furthermore, in addition to the Equator Principles, we use ESG score by external credit rating providers, and also evaluate counterparty ESG risk in the project's supply chain.

In March 2021, these funds were categorized as Article 8 funds under the EU's Sustainable Finance Disclosure Regulation (hereinafter, "SFDR"). SFDR Article 8 requires integrating sustainability risk into the investment process, and assessment, monitoring and negative screening of environmental and social characteristics, and this fund meets the criteria.

#### (2) Example of a renewable energy project

Many renewable energy projects have issues such as conservation of biodiversity and land acquisition, so we pay particular attention to these issues. For example, there have been cases where we confirmed when making the investment decision that action such as moving the site has occurred due to confirmation that endangered species existed close to the initial project site.

In addition, we also confirm through reports from the borrower and external experts after making the investment that there is no negative impact on the environment or society. In addition, we not only undertake negative screening, but measure factors such as the amount of renewable energy generated, cuts to CO2 emissions, and economic benefits of O&M\* and disclose this to investors.

\* Operations and maintenance of facilities

#### (3) Expanding the target of evaluation to include S and G

Evaluation of the positive impact on the environment and society will continue in the funds. In addition, we are considering increasing the quantitative evaluation items to include the impact on society and governance and we will continue to aim for further contribution to achieving SDGs in future.

### ESG integration and impact investing in Infrastructure Debt Funds



## Corporate Sustainability Initiatives



**Minori Komatsu**  
Executive Officer  
Head of Corporate Sustainability Office

### What it means to be an asset management company that creates a sustainable future through the power of investment

In January 2021, we created a corporate message, “creating a sustainable future through the power of investment,” in order to share our corporate purpose (our *raison d’être* in society) and to express our determination to fulfill our mission and responsibilities to the world as a long-term investor. We had spent a long time compiling this short, simple phrase.

What kind of planet and society do we want to hand on to future generations?

What is the current state of our planet and society?

What are the globally recognized, urgent issues?

What is the significance of a company’s sustainability initiatives?

What are the reasons for us to get involved in those activities?

What special qualities can we contribute to the world?

Can the problems still be solved? Do we still have time?

These are some of the questions that we asked ourselves when determining our purpose.

Before we knew it, our repeated workshops with all executives had helped build common ground among individual members whose views had originally been poles apart. Everyone was able to express, without reserve and in their own words, what they believed our mission to be as an asset management company. Finally, we agreed that “creating a sustainable future through the power of investment” was the message we wanted to send to the world.

This ad hoc approach might seem at first glance like a roundabout process, but everyone recognized the value of it when

we suddenly had to discuss participating in the Net Zero Asset Managers initiative (NZAM) in December 2020. We were invited to join the initiative through our London office in late November and the deadline for declaring support was early December, so, effectively, we had to make a decision in just two weeks.

The relevant division heads met many times over a short period to discuss our potential participation. We didn’t have all the necessary information at our disposal. There were lots of people involved and it seemed it would take a huge amount of time to organize them all. Under normal circumstances, I think we would have said that we just couldn’t make the deadline. However, thanks to our extensive discussions about our purpose over the previous six months, we already shared a common awareness of Net Zero global challenges, and we had already developed the trust that made participants feel psychologically safe and able to voice their disagreements and concerns without hesitating.

We are an asset management company that seeks to create a sustainable future through the power of investment.

There might not be any other asset managers in Japan that were ready to sign on with us, but hadn’t we spent six months discussing how we wanted to help take a leading role in mobilizing the capital markets?

I believe the fact that we were able to share those straightforward thoughts within the management team is one reason why we were the only Japanese asset manager that committed to signing up as a founding member of the NZAM initiative.

### Encouraging employees to embrace the message

As well as being a long-term investor, we are also an operating company that employs approximately 1,000 people globally. After having composed the words that represent our purpose, the next step is to encourage all employees to embrace this corporate message as their own. The motivation of our 1,000 employees for joining the company are all different, as are their aspirations at work, and the challenges that they each face. We knew and accepted that it would require a great deal of time and effort for such a diverse group to be able to say with confidence and conviction that they are an intrinsic part of an asset management company that seeks to create a sustainable future through the power of investment.

I also felt, for this corporate message to prove truly powerful, there needs to be alignment of purpose between AMO and individual employees, so that we can drive the actions of investee companies and deliver long-term outcomes for the best interest of our clients.

We held a total of 12 town hall meetings at each division directly after the corporate message was created in January. Unlike a regular town hall meeting, we turned these gatherings into opportunities for interactive discussions in which the CEO and division heads shared their thoughts on what the message entailed and then the meetings split into small groups to enable all participants to share their feelings and perceptions. Participating employees also shared various comments on the process, including: “I was able to relate to the message after hearing about the underlying thought process directly from senior management,” “Learning about the background to the words ‘sustainable future’ and ‘creating’ made me rethink my understanding of diversity and fairness,” and “I felt incorporating this message into my own work would be my next challenge.”

Holding these meetings reminded me of the importance of dialogue, and I was able to impress upon others the need to continue creating such opportunities. We then set to work on our internal branding. Our project for creating a short movie to help share our message, “creating a sustainable future through the power of investment”, more broadly among employees involved digging even deeper into each word and structuring the brand.

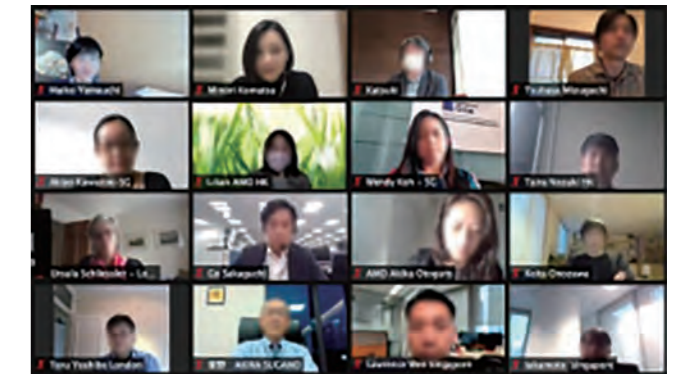
Over 20 employees volunteered to take part in the project, which involved two workshops during which we discussed what fundamental challenges people might experience and whether we could help address those challenges through the value that we provide. We also explored what kind of culture we, as a company, wanted to nurture. We closed the 2 minute 40 second video that we made as a result of these discussions, with a collage of photos of our employees’ children and an appeal to “make this world a better place as a gift for our children.”

We have only just started on the journey of encouraging all employees to embrace the message, and it is a journey without end. Going forward, I want to take every opportunity to engage in dialogue.

### Embracing a “creating a sustainable future through the power of investment” culture! Town hall meetings with 800 participants.

To share our corporate message and the thoughts behind the words, we planned town hall meetings entitled “Embracing a ‘creating a sustainable future through the power of investment’ culture!” The town hall meetings were conducted entirely online as the number of our staff coming to office was being capped at below 20% during the Covid-19 pandemic.

Over 800 employees worldwide participated in 12 interactive events, in which the CEO and division heads told their own stories relating to the message and then participating employees shared their thoughts and difficulties in relating the message to their individual jobs.



### Internal movie: Let’s make an investment for the future we can all be proud of

We created an internal movie roughly five months into the project. The movie, which will likely be used on various occasions across the company, conveys the great challenges on which we must embark, and their significance, if we are to create a world in which all children can realize their dreams.

We believe the movie’s message, “Let’s make an investment for the future we can all be proud of”, in the will give us the courage to tackle the significant challenges we are currently facing.



## Priority Areas in Corporate Sustainability

### Holding ourselves to the same standards as we expect from investee companies Determining three priority areas to advance our approach

We set up our Corporate Sustainability Office in April 2020 as the organization that leads our corporate sustainability initiatives. Our motivation at the time was simple, namely to hold ourselves to the same standards as our investees.

As we mentioned before, the discussions around our purpose generated our new mission to create a sustainable future through the power of investment, and our Sustainability Transformation Project Team (SXPT) debates how great an impact we can exert on society through our business. Our corporate sustainability activities are positioned to create the framework required to drive this impact.

The materiality map discussed in the SXPT helps identify corporate sustainability focus areas. Material mapping uses an axis showing the level of interest in the environmental and social issues in global society and an axis that measures the magnitude of economic impact. Specific materiality maps help create the very message that we want to convey to society as an asset

management company that seeks to create a sustainable future through the power of investment.

In order to ascertain the areas to be addressed in our corporate sustainability initiatives, we investigated the level of importance of the items that were identified as the most urgent issues on the material map in terms of the size of the impact that our management as an operating company would have on the environment and society, the impact of our employee's actions, and our ability to continue to create value as an asset management company seeking to create a sustainable future through the power of investment. As a result, we identified the following three areas:

1. Tackling climate change and environmental issues
2. Ensuring diversity, equity and inclusion
3. Improving employee job satisfaction and wellbeing



#### Tackling climate change and environmental issues

AMO is well-positioned to urge investee companies to transition to a carbon-neutral society, address other environmental issues, and move towards a circular society and economy. We will also work to reduce carbon emissions and environmental impact in our own operations and promote initiatives that change the awareness and behavior of our employees.



#### Ensuring diversity, equity and inclusion

Diversity, equity, and inclusion accept diverse elements, enable individual qualities to shine forth and incorporates the added element of equity, designed to address inequalities towards minority groups. We recognize that structural inequalities cannot always be solved by providing equal opportunities and that sometimes affirmative action is required to rectify those inequalities.

AMO aims to implement the necessary measures to achieve inclusion by recognizing differences not only in gender, but also in race, nationality, sexual orientation, ability/disability, and age and ensuring fair treatment, and to achieve diversity, equity and inclusion by, among other things, reducing gender gaps.



#### Improving employee job satisfaction and wellbeing

Our business relies on human resources as the source of our competitiveness and we have always pursued proactive human-resource initiatives, including the introduction of a professional personnel system. We pursue a diverse range of initiatives to ensure professional employees can continue to work with a high degree of engagement in our company, including efforts to support the physical and mental health of our employees and improve working environments, as well as building bonds of trust with management and creating opportunities for employee growth to support wellbeing and improve job satisfaction.

### Long-term goals for tackling climate change and environmental issues

AMO signed up as the only Japanese founding member of the Net Zero Asset Managers initiative, which recognizes the importance of greenhouse gas (GHG) emissions in terms of climate change and supports the ambitious goal of reducing global GHG emissions to net zero by 2050.

As a signatory, we also aim to reduce GHG emissions relating to our own operations to net zero by 2050.

To help achieve this, we have first set a goal to achieve net zero Scope 1 and 2 GHG emissions by 2030. The table below shows GHG emissions (Scope 1 and 2) from AMO Group operations for FY 2019 and 2020.

In FY 2020, we engaged in dialogue with Tekko Building, of which both AMO and Asset Management One Alternative Investments are tenants. Tekko understood that we were the only RE100 (Renewable Energy 100) member tenant in the building, and agreed to switch all the electricity procured by the building to renewable sources from January 2021. This is expected to significantly reduce our emissions in FY 2021.

We plan to continue engagement aimed at reducing Scope 1 and 2 emissions at our Japanese and overseas offices.

In addition, we are making an effort through engagement with suppliers and other business partners to reduce GHG emissions, including Scope 3 emissions, in the entire supply chain.

### Long-term goals for ensuring diversity, equity and inclusion

Within diversity, equity, and inclusion, gender gaps are so deeply rooted in people's values globally that attempts to close the gap are sometimes referred to as a "100-year war." The perception of male/female gender roles built across Japan's history is considered a major barrier and Japan continues to perform poorly, ranking 120 out of 156 nations in the 2021 World Economic Forum's annual Global Gender Gap Index and 117 in the Economic Participation and Opportunity subindex.

The 30% Club, of which AMO is a member, has set a target of 30% for the proportion of females on corporate decision-making bodies by 2030, with the aim of achieving a healthy gender balance.

The point at which minority groups are deemed able to influence the whole is called a tipping point, which academic studies suggest stands between 30 and 35%. As such, AMO is targeting 30% female representation in each decision-making strata of the company by 2030.

That is roughly the same ratio as female employees in the company, so it is a challenging target. However, it is very meaningful in the sense of spurring concrete efforts to help achieve the goal.

Reducing AMO's GHG\*<sup>1</sup> emissions (Scope 1 and 2\*<sup>2</sup>)  
**to net zero by 2030**

Reducing GHG emissions across the entire supply chain  
(Scope 3 category 1 through 14\*<sup>3</sup>)  
**to net zero by 2050**

#### Asset Mana

##### ■ GHG emissions (Scope 1 and 2)

Unit: t-CO <sub>2</sub>	FY2019	FY2020
Japan offices	732.5	361.8
Overseas offices	72.8	51.6
Total	805.3	413.4

#### gement One

##### ■ Female participation in decision-making roles

Level	Current number	Number of women	Proportion
Executive	20	1	10.0%
Group head	42	3	7.1%
Team manager	82	25	30.4%

as of August 1, 2021

\*1 Greenhouse gas  
\*2 GHG Protocol, the global standard for calculating and reporting GHG emissions, defines Scope 1 as direct emissions by owned or controlled sources such as fuel combustion or industrial processes, Scope 2 as indirect emissions associated with the use of electricity, heat or steam supplied by others, and Scope 3 as indirect emissions by others related to the company's activities, other than Scope 1 and Scope 2.  
\*3 All 15 Scope 3 categories of the GHG Protocol with the exception of Category 15: Investments.

## Dialogue with Various Stakeholders

### Encouraging open dialogue to avoid complacency

We started external dialogues in July 2020 with the aim of learning from and using suggestions obtained through sustainability-related discussions with diverse stakeholders in our own initiatives and asset management. These dialogues prove valuable opportunities to spur debate centered around the specialist field of invited guests and to build fresh awareness of the purpose of our business activities and our additional initiatives. To date, we have engaged with four specific individuals and listened to their various perspectives.

The discussions are then edited as in-house articles and displayed on our website.

We want to continue broad discussions with diverse stakeholders, bearing in mind that our future corporate activities will continue to link into various fields.



**Guest 1 Kanai Doi**  
Japan Director of the international NGO Human Rights Watch

Following an introduction of Human Rights Watch's activities regarding human rights investigations and proposals, we discussed a wide range of topics, including recent human rights concerns, governmental human rights systems in Japan, and what companies should be doing.



**Guest 2 Tetsuji Inaba**  
Producer of Ethical Pay Forward

As a producer, Tetsuji Inaba creates opportunities for young people to think about various themes such as sustainable work styles, money, and sexuality. He talked about the significance of companies in society, circular HR, and the need for companies to be ethical with reference to his own career.



**Guest 3 Professor Akie Iriyama**  
Waseda Business School

Professor Iriyama, who is well versed in the latest management theory and the challenges facing Japanese companies, drew on his theoretical and practical knowledge to speak about ideal sustainability management, the significance of diversity, his impression of our corporate message to create a sustainable future through the power of investment, and how we could better instill that message.



**Guest 4 Takako Oyama**  
Executive Director, fog, inc.

Ms. Oyama, who consults on the building of circular economies and societies, talked from a regular person and consultant's perspective about how she set up her activities, how we can promote circular economies in Japan, and the steps we need to take to consolidate a firm sustainability awareness.

## Initiatives to Enhance Employee Awareness

### Conducting interactive seminars with female executives

In January 2021, we invited two female executives from outside the company to a seminar to help build an organization that could autonomously nurture the next generation of female leaders. On the day, we welcomed roughly 30 next-generation female leaders and 40 training supervisors and executives. Miwa Koyasu, Founder and Representative Director of Will Lab Inc. talked about Japan's gender gap from a global perspective, the changing working population, and government initiatives before elaborating on her own career experiences and the barriers leadership women face. She talked about how she built her own career despite unconscious bias in a situation where she was not recognized as a minority individual (token) and finally urged us to pursue our own unique leadership irrespective of gender or other management styles. Next, Noriko Ichigi, President and CEO of Orangepage Inc. talked about her career story, including her home and local community activities and shared some concrete examples of how she overcame challenges, struggles, and difficult circumstances. The Q&A session generated a lively discussion on the speakers' candid stories, management, and career development. Later, some participants shared their impressions, saying "I was impressed by the idea that maternity and childcare leave has the same value as studying overseas," "I have never felt confident about putting myself fully out there, so it was a relief to feel that I could face challenges calmly," "I always thought I wanted to nurture candidates gently, but I was struck by the potential benefits of making candidates face difficult situations more forcefully and then ensuring bosses provide solid aftercare, including official financial allowances, etc.



**Noriko Ichigi**  
President and CEO  
Orangepage Inc.



**Miwa Koyasu**  
Founder and  
Representative Director  
Will Lab Inc.

#### Future X (internal seminar)

### The SDGs and global changes in the wake of Covid-19

In August 2020, approximately 100 people, including executives and employees, attended an internal seminar to promote understanding of SDGs. AMO advisor Kazuo Tase from SDG Impacts, Inc. drew on his experience at the United Nations to explain how the SDGs were established and the relationship between each goal, proposed ideas for incorporating SDGs into management strategies, and talked about supporting SDGs and how they had been impacted by Covid-19. Afterward, we held a Q&A session with AMO President, the Head of Corporate Sustainability Office, and other participants, which proved the perfect venue for considering how we could help promote the inter-generational, for-all, be-yourself, live-well world that the SDGs aspire to achieve.



#### Future X (internal seminar)

### Miscellaneous thoughts on human rights

In June 2021, over 60 people, including executives and employees, attended an in-house seminar to promote human rights understanding that started with our SXPT manager explaining why we engage in human rights initiatives and Mr. Tase from SDG Impacts giving a fundamental and essential lecture on human rights. After that, SXPT members who had participated in the human rights NGO dialogue shared their thoughts on the global situation and the impressions they gained through customer engagement in a session talk, and participants asked questions to develop a deeper and more familiar understanding of human rights.

#### Today's Theme

「人権にまつわるあれこれ」

## Sustainability Governance

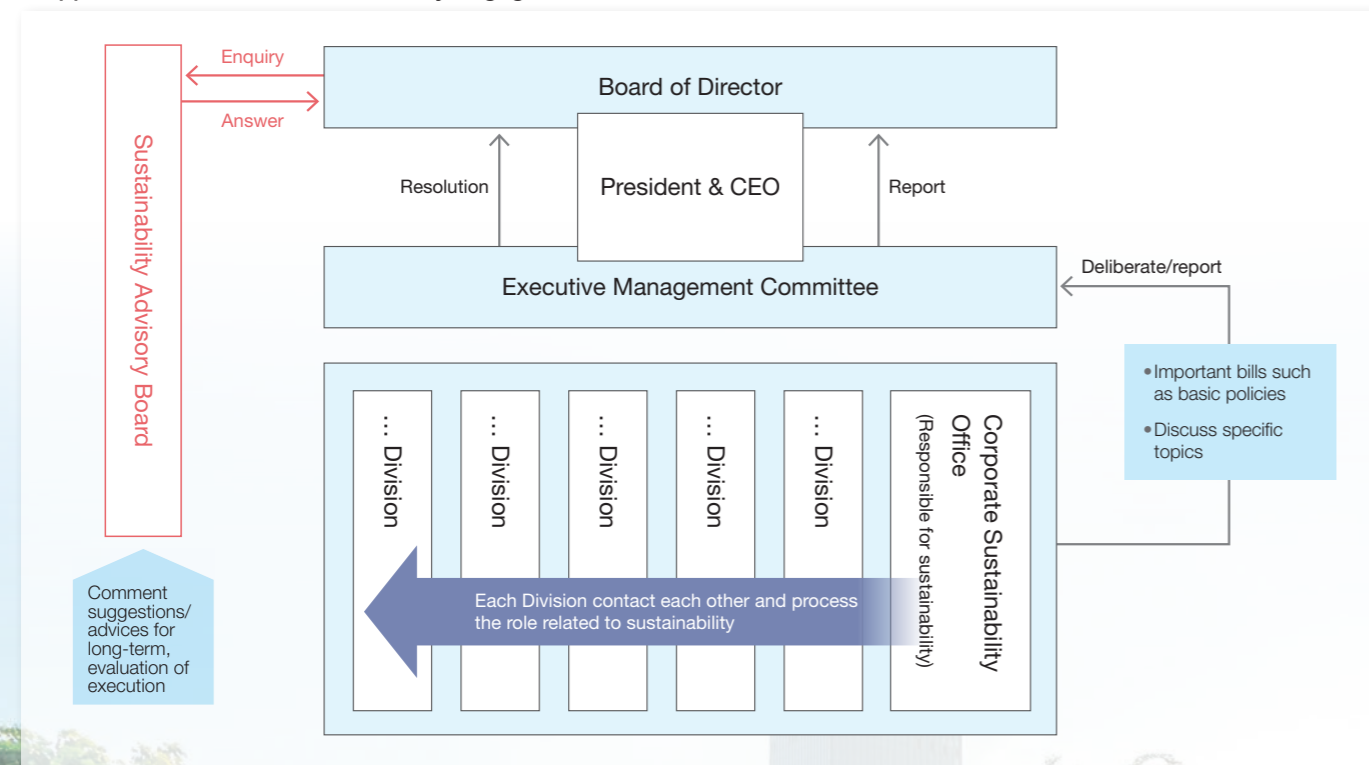
AM-One established the Corporate Sustainability Office in April 2020. It was started to encourage investee companies through ESG investment and engagement activities to further promote sustainability, and also out of an awareness of the problem of insufficient sustainability measures at our own company. We believe that the pursuit of sustainability is itself the *raison d'être* of an asset management company, and that it needs to be integrated with management and seamlessly incorporated into the strategy.

Amid these activities, in July 2021, we established the Sustainability Advisory Board as an advisory body of the Board of Directors. The role of the board is to report opinions from (and

consult with) the Board of Directors on medium- to long-term approaches and policies related to sustainability that have been resolved by the board. Proposals and progress management related to individual measures are deliberated on by the Executive Management Committee and after approval by the president are reported to the Board of Directors. The Sustainability Advisory Board is made up of AM-One directors, advisors, and outside advisors.

By establishing the Sustainability Advisory Board, we intend to appropriately incorporate knowledge from outside the company and strengthen AM-One's sustainability governance in support of the Board of Directors.

### Appendix: Structure of Sustainability Engagement



## Outside Advisors

### Mariko Kawaguchi

Specially Appointed Professor,  
Graduate School of Social Design  
Studies, Rikkyo University  
Executive Advisor to CEO, Fuji Oil  
Holdings  
Special Advisory, Daiwa Institute of  
Research



With the goal of creating a carbon-neutral society by 2050, the global movement to transform 20th-century values and economic practices that see the economy, the environment, and social problems as separate from one another is becoming increasingly widespread. The Sustainable Development Goals established in 2015 are the concern not only of civil society and the central government but also of business, finance, local government, educational institutions, and private individuals. What draws the attention of society in a significant way is only that which is based on this new set of values; specifically, the new perspective that sees economic activities and environment and social initiatives as indivisible.

#### [Career summary]

Mariko Kawaguchi was involved in research and proposal activities on sustainability issues in the fields of CSR, ESG investment, and ethical consumption at Daiwa Institute of Research for over twenty years until March 2020. She is currently engaged in sustainability education, ethical consumption, and ethical management for a food products company. Ms. Kawaguchi is Director of the UN Global Compact Network Japan, and Executive of the Japan Sustainable Investment Forum. She is also Director of the Japan Ethical Initiative, a council member of Sustainability Forum Japan, Director of the WWF Japan, and an extraordinary member of the Ministry of the Environment's Central Environment Council.

Unfortunately, some of the progress made on the SDGs has inevitably been lost during the current coronavirus pandemic. To recover from the pandemic and achieve the SDGs, mechanisms for fully integrating social and economic impact into economic activities will need to penetrate society as a whole. There are mounting expectations that finance will be the driver for this. Finance helps facilitate capital flows. It is the investee companies that are in a position to make decisions on resource allocation in the society. When directing capital to finance a business through investment decisions, investors play a key role in integrating the environmental and social considerations in order to achieve net zero by 2050 and drive the creation of a sustainable society. I would like to see AM-One, Japan's one of the largest asset management companies, demonstrate leadership and transform Japanese finance and society.

### Yves Serra

Georg Fischer Ltd.  
Chairman of the Board of Directors



AM-One's ambition to lead the way regarding sustainable asset management has been clearly formulated by its top management. Sustainability is already imbedded in an inspiring vision. AM-One organization, as well as its activities, are being aligned towards sustainable investing.

#### [Career summary]

Deputy Commercial Attaché at the French Embassy in Manila (Philippines) (1977–1979); Customer Service Engineer for Alstom in France and South Africa (1979–1982); various positions at Sulzer in France and Japan (1982–1992); various positions at GF (1992–2019), Managing Director of Charmilles Technologies Japan and Regional Head of Sales Asia (1992–1998), Head of Charmilles (1998–2003), Head of GF Piping Systems (2003–2008), President and CEO of Georg Fischer Ltd (2008–2019), Chairman of the Board of Directors(2020–) Furthermore, Chairman of the Board of Directors of Stäubli Holding AG; Member of the Board of BNP Paribas Switzerland (both Switzerland)

As one of the largest asset managers in Japan, AM-One is well aware of its challenge in steering its investors towards greener financial instruments whilst preserving the returns they rightly expect. The soon-to-be-announced objective in terms of assets to be managed in line with the net zero goal as well as a set of related action plans will certainly help channel all energies towards that end. In particular, AM-One will no doubt play a large role in monitoring and nudging investee companies towards addressing their sustainability issues (climate-related topics, supply chain due diligence, diversity,...)

The establishment of the Sustainability Advisory Board is further proof of AM-One's commitment at the highest level of the company. It also shows its openness to integrate diverse viewpoints into its sustainability drive.

I am convinced that all these efforts will pay off both operationally and reputation-wise. I look forward to offering the view on these topics of an international industrial company headquartered in Switzerland and whose business model is intertwined with sustainability.

## Responsible investment governance

AM-One has had a dedicated department for responsible investment from the time of the merger in October 2016 and has worked to maintain management systems for engagement activities and the exercise of voting rights.

We regard the exercise of voting rights for shareholders as one of the most important aspects of our stewardship responsibilities. In actually exercising these rights, we strongly urge companies to conduct management for the purpose of maximizing medium- to long-term shareholder returns and encourage sound corporate activities under appropriate governance that give due consideration to the environment and society.

When there are potential conflicts of interest at investee companies with the parent company, etc., we have systems for making appropriate voting decisions and conducting corresponding management.

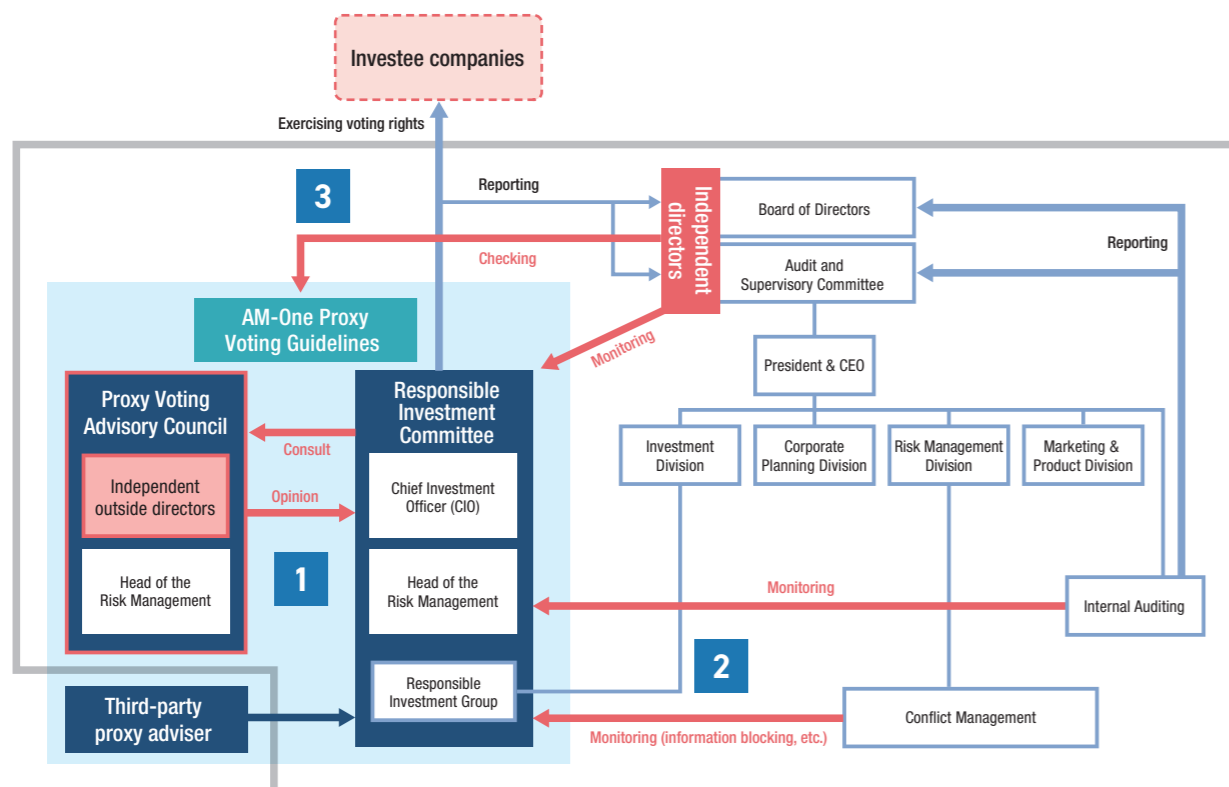
Specifically, the Responsible Investment Committee, established as a management policy committee, oversees stewardship activities overall, starting with voting rights exercise, and appropriately manages conflicts of interest. The committee, which is chaired by the Chief Investment Officer and whose members include the Head of the Risk Management Division, conducts deliberations in the asset management division, which

is independent of the business planning and sales divisions, and thereby promotes responsible investment. Members of the Audit and Supervisory Committee attend meetings of the committee as a part of an appropriate system of controls.

The Responsible Investment Committee deliberates on the most important proposals from conflicts of interest standpoint and on the establishment, amendment, and abolishment of the Proxy Voting Guidelines, and it also deliberates and reports on matters related to overall stewardship activities, including evaluations and changes to the execution of stewardship responsibilities and dialogue (engagement) with investee companies.

For the most important company proposals from the standpoint of conflicts of interest, involving the parent company, for example, appropriate voting decisions are made after requesting the recommendations of a third-party proxy adviser, in accordance with AM-One guidelines, consulting with the Proxy Voting Advisory Council, of which independent outside directors make up a majority, and conducting deliberations through the Responsible Investment Committee. Monitoring is conducted by having the results of voting reported to the Board of Directors and Audit and Supervisory Committee.

## Managing conflicts of interest at Asset Management One



1 Regarding proxy agendas that involve potential conflicts within the parent or group companies, AM-One utilizes a third-party proxy provider's recommendations. After seeking independent opinions of the Proxy Voting Advisory Council (of which the majority are independent directors), the Responsible Investment Committee discusses thoroughly before any voting decisions are made.

2 One of the effective measures that AM-One has adopted for managing conflicts of interest is to isolate information flows, with regards to proxy voting matters, between the persons in charge of exercising voting rights and other employees. We closely monitor the information flows.

3 AM-One publishes its Proxy Voting Guidelines including the criteria for decisions on voting items at shareholder meetings. The Guidelines is reviewed annually. The revisions are reported to the Audit and Supervisory Committee (with the majority of independent directors), and examined at the Responsible Investment Committee.

## Risk Management in Support of Value Creation

We believe that the "power of investment," which is underpinned by trusting relationships with clients, is demonstrated when AM-One itself grows sustainably as a long-term investor. In an age of increasing uncertainty and diversifying risk, we see risk management as an important base supporting the achievement of sustainable value creation by AM-One as a long-term investor, and we are working to strengthen risk management systems accordingly.

### Risk management framework

AM-One works to strengthen risk management in accordance with the basic policy on risk management established by the Board of Directors. This includes efforts to increase the sophistication of risk management practices utilizing a variety of methods.

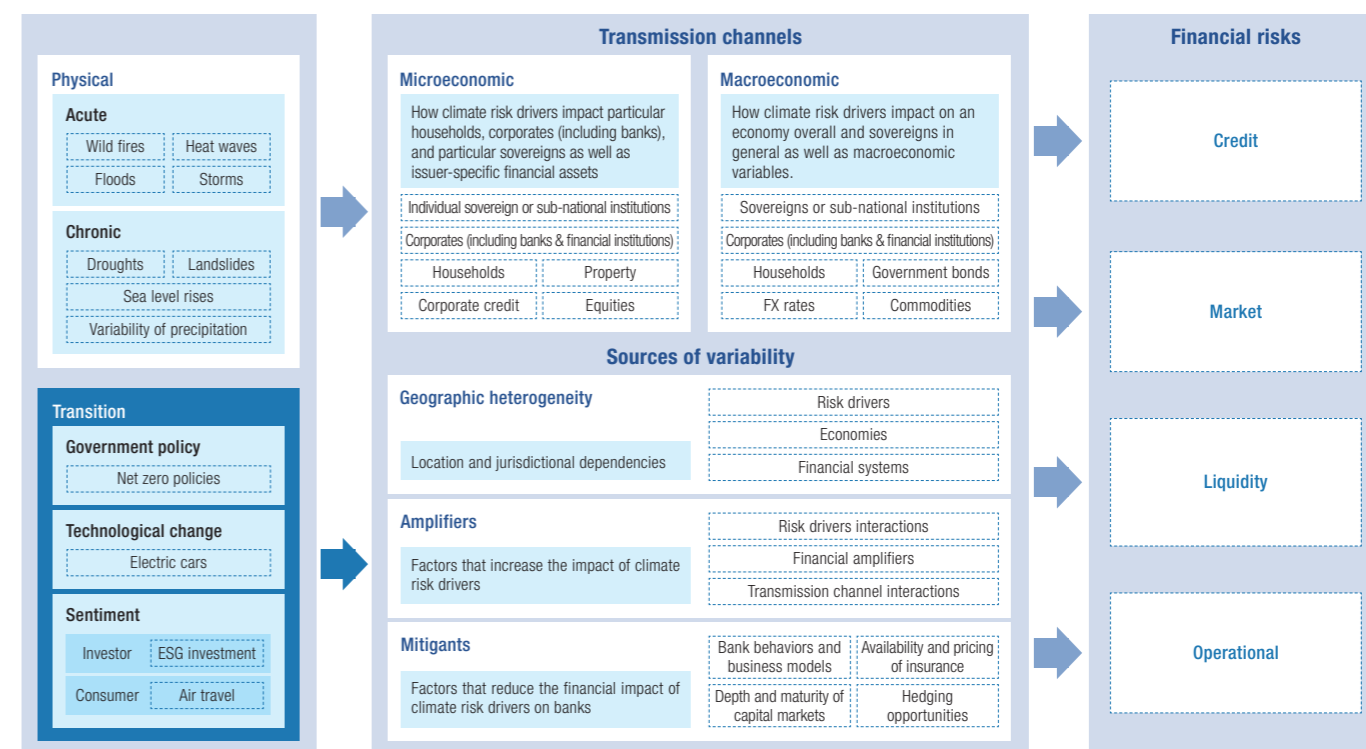
AM-One has established various committees for risk management and related operations and monitors the status of its risk management. Among the risks pertaining to our business, we categorize operational risks such as regulatory risk, information technology risk, and operations risk; market risk, credit risk, investment risk related to investment trust assets and the like. Management is conducted based on the characteristics of the respective risks. Departments responsible for these risks, which are assigned for each of these risk categories, plan,

formulate, and promote measures for management of the respective risks and report to the various committees on the status of risk management and related matters.

Along with the management of individual risk categories, we have also established a comprehensive risk management system that grasps and assesses overall risk in an integrated manner and keeps it within a tolerable scope for business operations.

With regard to climate-related risk, research is progressing on an understanding of climate risk not as a new category of financial risk but as a risk driver that gives rise to, or amplifies, various other risks. AM-One recognizes that climate-related risk management by financial institutions is still being developed, and we are working to gather information related to management methods for it.

### Financial risks from climate risk drivers



Source: Basel Committee on Banking Supervision, "Climate-related risk drivers and their transmission channels," April 2021

### Significant risks

AM-One identifies significant risks that would have a major impact on management strategy and conducts regular monitoring of controls for them through the Risk Management Committee. In selecting significant risks, we evaluate risk transmission channels, the potential of the risks to materialize, and the impact if they materialize, and through the Risk Management Committee and other bodies management engages in active discussions on

them. This is utilized in aligning perspectives on risk awareness and conducting forward-looking risk management.

As of September 2021, significant risks include delays to initiatives for sustainability and digital transformation and delays in responding to changes in international financial regulations and systems related to sustainability and ESG in asset management.

# Data Section

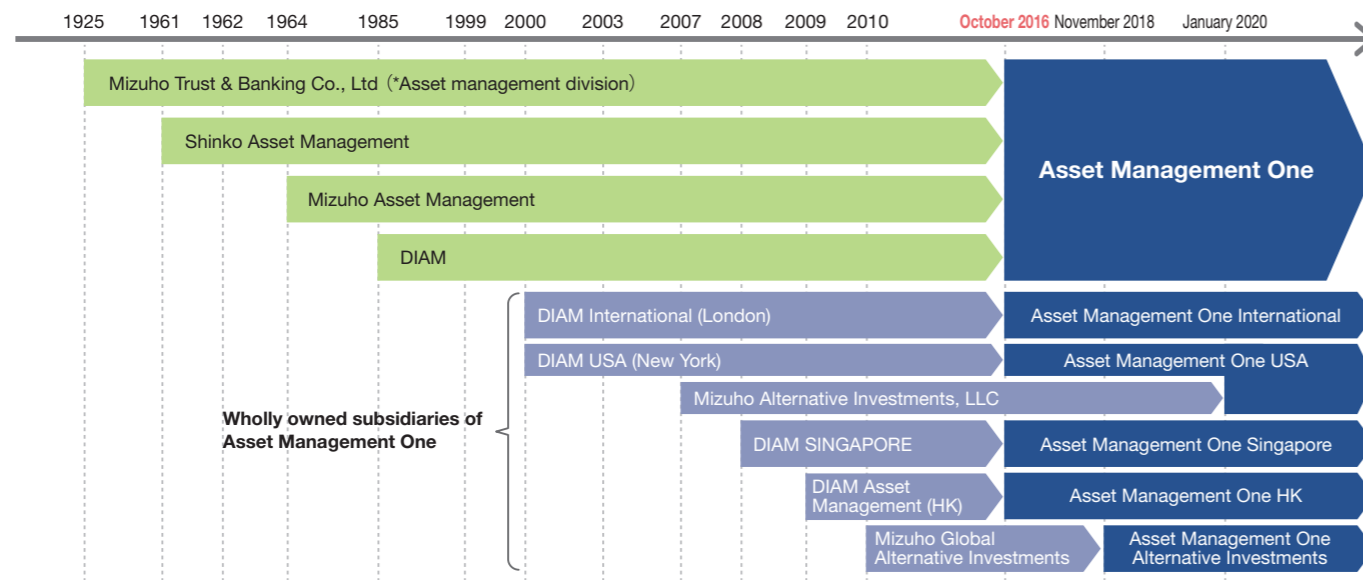
## Overview (as of April 1, 2021)

Name: Asset Management One Co., Ltd.  
 President & CEO: Akira Sugano  
 Address: Tekko Building, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005  
 Capital: ¥2 billion  
 Shareholders: Mizuho Financial Group, Inc. (Economic interests: 70%, Voting rights: 51%)  
 Dai-ichi Life Holdings, Inc. (Economic interests: 30%, Voting rights: 49%)  
 Format: Company with an Audit and Supervisory Committee  
 Employees: 881 (as of March 31, 2021)  
 Registration No.: Director of Kanto Local Finance Bureau (Financial Instruments Firms) No. 324  
 Commodity Trading Advisor License #(1) No. 24, the Minister of Agriculture, Forestry and Fisheries and Minister of Economy, Trade and Industry  
 Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan

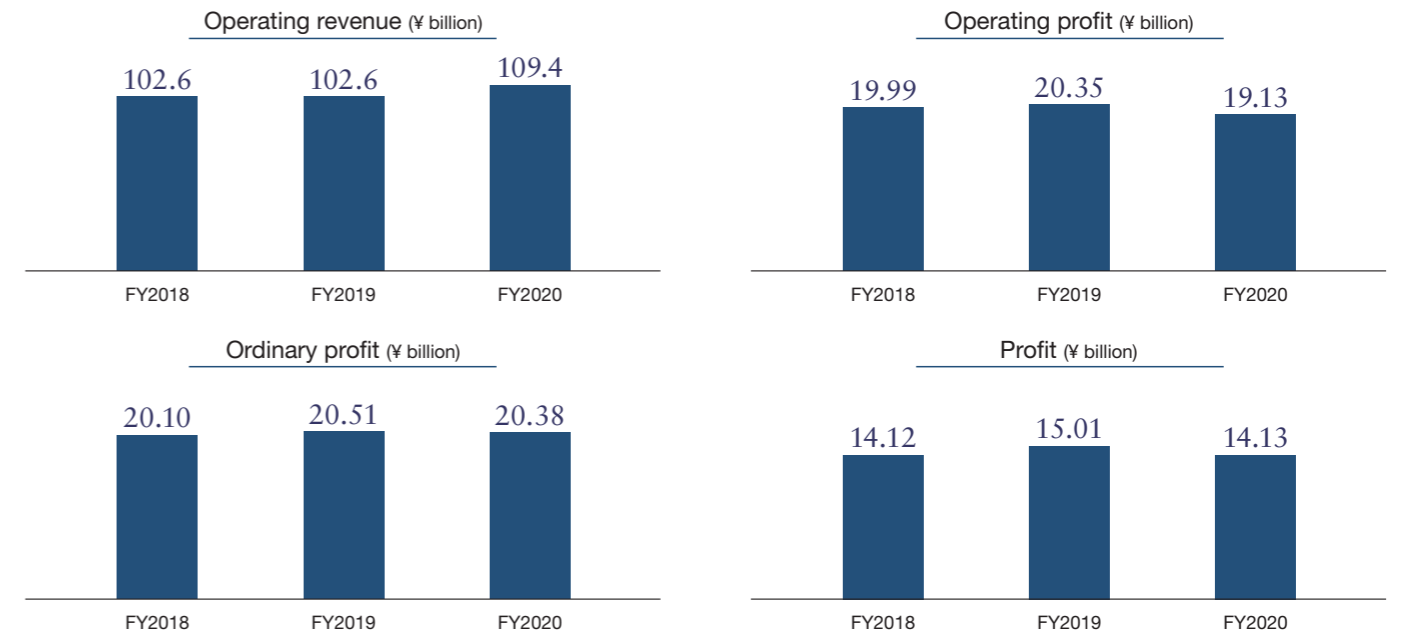
## Global network



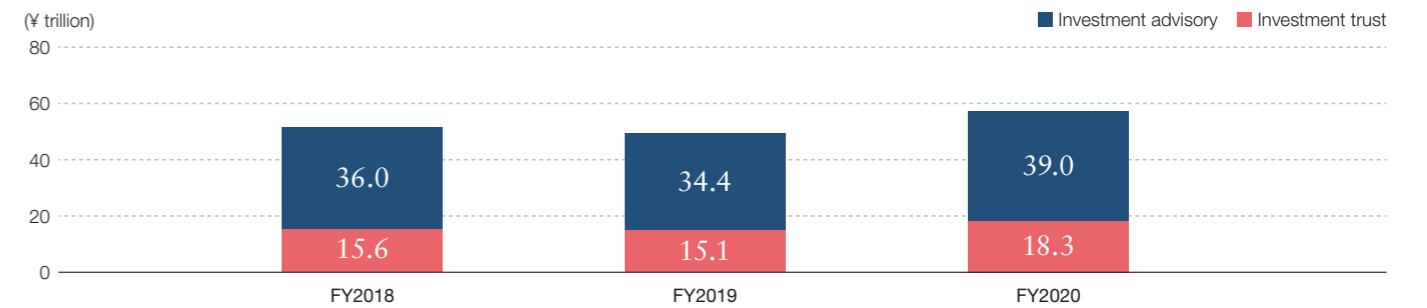
## History



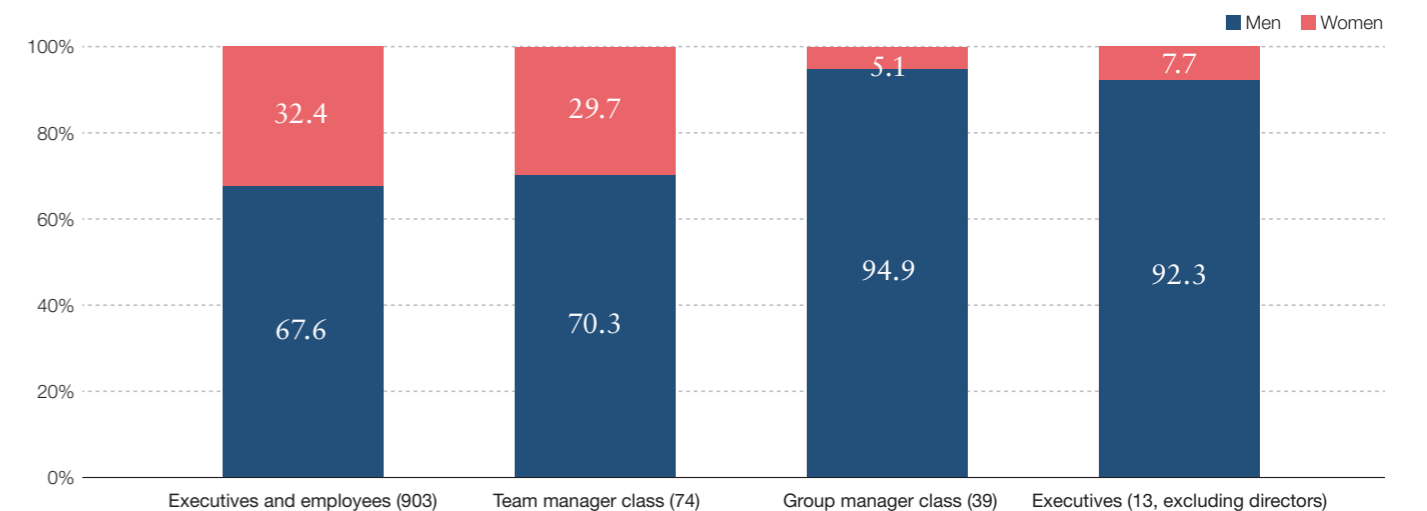
## Financial data



## Assets under management



## Gender distribution of executives and employees (as of March 31, 2021)



# Disclosure Ordinance Comparison Table

## Sustainable Stock Exchanges Initiative, "Model Guidance on Climate Disclosure," June. 2021 (TCFD recommendations on climate-related financial disclosures)

Governance			
Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
<b>a) Board oversight of climate-related risks and opportunities</b>			
ALL	Are board and/or board committees (e.g., audit, risk, or other committees) informed about climate-related issues?	1	PP.87-89 Sustainability Governance
ALL	<ul style="list-style-type: none"> <li>Does the company recognize climate change as a relevant risk and/or opportunity for the business?</li> </ul>	1	PP.3-8 Message from the President & CEO PP.9-16 A Special Conversation PP.17-20 Message from the CIO PP.27-34 Overview of Focus Areas PP.75-76 ESG Integration in Equity Investment PP.77-78 ESG Integration in Fixed-Income Investment PP.79 Initiatives in Indirect Investment PP.80 ESG Initiatives at AMOAI PP.83-84 Priority Areas in Corporate Sustainability
ALL	<ul style="list-style-type: none"> <li>Is there a board member or committee with explicit responsibility for oversight of the climate change policy?</li> </ul>	3	PP.27-34 Overview of Focus Areas PP.87-89 Sustainability Governance
ALL	Do board and/or board committees consider climate-related issues when reviewing and guiding: <ul style="list-style-type: none"> <li>major plans of action?</li> <li>risk management policies?</li> <li>business plans?</li> <li>annual budgets?</li> </ul>	2	PP.27-34 Overview of Focus Areas PP.87-89 Sustainability Governance
ALL	<ul style="list-style-type: none"> <li>strategy?</li> <li>performance objective, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures?</li> </ul>	4	PP.27-34 Overview of Focus Areas PP.87-89 Sustainability Governance
ALL	How does the board monitor and oversee progress against goals and targets for addressing climate-related issues?	3	PP.27-34 Overview of Focus Areas PP.87-89 Sustainability Governance
<b>b) Management's role in assessing and managing climate-related risks and opportunities</b>			
ALL	Does the organization have assigned climate-related responsibilities to management-level positions or committees? If so, how do such management positions or committees report to the board or a committee of the board and do those responsibilities include assessing and/or managing climate-related issues?	4	PP.27-34 Overview of Focus Areas PP.87-89 Sustainability Governance
ALL	How are managers informed about climate-related issues?	2	PP.87-89 Sustainability Governance
ALL	How do managers monitor climate-related issues?	2	PP.27-34 Overview of Focus Areas PP.87-89 Sustainability Governance
<b>Strategy</b>			
Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
<b>a) Identification of climate-related risks and opportunities over the short, medium, and long term.</b>			
ALL	How does the organization define short-, medium-, and long-term time horizons?	2	PP.27-34 Overview of Focus Areas PP.83-84 Priority Areas in Corporate Sustainability"
ALL	Does this take into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms?	2	PP.27-34 Overview of Focus Areas PP.83-84 Priority Areas in Corporate Sustainability"
ALL	What specific climate-related issues that could have a material financial impact on the organization have been identified for each time horizon (short, medium, and long term)?	3	PP.27-34 Overview of Focus Areas PP.83-84 Priority Areas in Corporate Sustainability
ALL	Is this consistent with climate change policy and positions taken by trade associations of which the organization is a member?	4	PP.22-26 Materiality as defined by Asset Management One PP.27-30 Overview of Focus Areas PP.41-44 Topics for our Stewardship Activities PP.83-84 Priority Areas in Corporate Sustainability
ALL	Is a materiality analysis used to determine which risks and opportunities could have a material financial impact on the organization?	1	PP.23-26 Materiality as defined by Asset Management One
ALL	Is a scenario analysis used to determine which risks and opportunities could have a material financial impact on the organization?	3	PP.23-26 Materiality as defined by Asset Management One PP.33-34 Overview of Focus Areas
ALL	Are risks and opportunities considered by sector and/or geography?	1	PP.23-26 Materiality as defined by Asset Management One PP.27-28 Overview of Focus Areas PP.90 Risk Management to Support Value Creation

b) The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning			
Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
ALL	How do climate-related risks and opportunities impact on businesses and strategy in the following areas: <ul style="list-style-type: none"> <li>Products and services?</li> <li>Supply chain and/or value chain?</li> <li>Adaptation and mitigation activities?</li> <li>Investment in research and development?</li> <li>Operations (including types of operations and location of facilities)?</li> </ul>	4	PP.23-26 Materiality as defined by Asset Management One PP.27-34 Overview of Focus Areas
ALL	What are the time period(s) used, and how are climate-related risks and opportunities prioritized as inputs into the financial planning process?	3	PP.23-26 Materiality as defined by Asset Management One PP.27-34 Overview of Focus Areas
Asset Manager	How are climate-related risks and opportunities factored into relevant products and investment strategies?	4	PP.23-26 Materiality as defined by Asset Management One PP.73-80 ESG Integration at Asset Management One
Asset Manager	How might the transition to a lower-carbon economy affect each product or investment strategy?	3	PP.23-26 Materiality as defined by Asset Management One PP.45-48 Asset Management One's Engagement Activities PP.57-58 Engagement in Fixed-Income Investment PP.65-66 An Intergrated Approach to Voting and Engagement
<b>c) The organization's strategy resilience, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (ideally 1.5°C).</b>			
ALL	Has the organization conducted a scenario analysis that evaluates how resilient their strategies are to climate-related risks and opportunities?	4	PP.27-34 Overview of Focus Areas
ALL	Does the analysis include a 2°C or lower scenario (ideally 1.5°C)?	4	PP.27-34 Overview of Focus Areas
ALL	What time horizons are considered in the organization's climate-related scenario analysis?	4	PP.27-34 Overview of Focus Areas
ALL	How will climate-related risks and opportunities (as listed in table 1 and 2 or the TCFD recommendations) affect the organization's strategies, and how may strategies change to address potential climate-related risks and opportunities?	3	PP.27-34 Overview of Focus Areas

Risk Management			
Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
<b>a) Climate-related risk management processes</b>			
ALL	How does the organization determine the relative significance of climate-related risks in relation to other risks?	1	PP.23-26 Materiality as defined by Asset Management One PP.27-28 Overview of Focus Areas PP.90 Risk Management to Support Value Creation
ALL	Are existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) considered a risk by the organization?	3	PP.23-26 Materiality as defined by Asset Management One PP.27-28 Overview of Focus Areas PP.90 Risk Management to Support Value Creation
ALL	How is the potential size and scope of identified climate-related risks determined?	3	PP.23-26 Materiality as defined by Asset Management One PP.27-28 Overview of Focus Areas PP.90 Risk Management to Support Value Creation
ALL	How does the organization define or classify risk and risk-related terms? (Is a taxonomy used?)	1	PP.90 Risk Management to Support Value Creation
Asset Owner + Managers	What engagement activities are undertaken with investee companies to encourage better disclosure and practices related to climate-related risks to improve data availability and asset owners' ability to assess climate-related risks?	4	PP.9-16 A Special Conversation PP.39 Outcomes of Engagement Activities PP.40 Exercise of Voting Rights PP.41-44 Topics for Our Stewardship Activities PP.57-58 Engagement in Fixed-Income Investment PP.65-66 Integrated Approach to Engagement and Voting PP.73-80 ESG Integration at Asset Management One
Asset Manager	How are climate-related risks identified and materiality assessed for each product or investment strategy? What resources and tools are used in the process?	3	PP.73-80 ESG Integration at Asset Management One
<b>b) Managing climate-related risks.</b>			
ALL	How are decisions to mitigate, transfer, accept, or control climate-related risks made?	3	PP.87-89 Sustainability Governance PP.90 Risk Management to Support Value Creation
ALL	How is materiality determined for the risks listed in table 1 of the TCFD recommendations?	3	PP.87-89 Sustainability Governance PP.90 Risk Management to Support Value Creation
Asset Manager	How are material climate-related risks managed for each product or investment strategy?	4	PP.73-80 ESG Integration at Asset Management One
<b>c) Processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</b>			
ALL	How are climate-related risks integrated into their overall risk management?	1	PP.90 Risk Management to Support Value Creation



# Disclosure Ordinance Comparison Table

## Sustainable Stock Exchanges Initiative, "Model Guidance on Climate Disclosure," June. 2021 (TCFD recommendations on climate-related financial disclosures)

Metrics and Targets				
Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report	
<b>a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process</b>				
ALL	What are the key metrics used to measure and manage the climate-related risks and opportunities found in table 1 and 2 of the TCFD recommendations?	3	PP.23-26 PP.27-34	Materiality as Defined by Asset Management One Overview of Focus Areas
ALL	Where climate-related issues are material, are related performance metrics incorporated into remuneration policies?	4		—
ALL	What internal carbon prices are used for measuring impact and setting targets?	4		—
ALL	What climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy are used?	3		—
Asset Manager	What metrics are used to assess climate-related risks and opportunities in each product or investment strategy, and how do these metrics change over time?	4	PP.45-48	Asset Management One's Engagement Activities
<b>b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</b>				
ALL	What are the Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks of the organization, according to GHG Protocol methodology?	2	PP.83-84	Priority Areas in Corporate Sustainability
	■ If found to be appropriate, what are the company's Scope 3 emissions?	3		—
	■ Are GHG emissions data externally verified?	3		—
ALL	What are the historic GHG emissions and trends?	2	PP.83-84	Priority Areas in Corporate Sustainability
Asset Manager	What is the weighted average carbon intensity, where data are available or can be reasonably estimated, for each product or investment strategy?	4	PP.33-34	Overview of Focus Areas
<b>c) Targets used to manage climate-related risks and opportunities and performance</b>				
ALL	What are the key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc. in line with anticipated regulatory requirements or market constraints or other goals?	2	PP.31-32	Overview of Focus Areas
	■ What are the long-term quantitative targets for reducing GHG emissions?	3	PP.31-32 PP.83-84	Overview of Focus Areas Priority Areas in Corporate Sustainability
ALL	Does the organization have climate-related targets pertaining to: ■ efficiency or financial goals? ■ financial loss tolerances? ■ avoided GHG emissions through the entire product life cycle? ■ net revenue goals for products and services designed for a lower-carbon economy?	4		—
ALL	Are climate-related targets absolute or intensity based?	2	PP.83-84	Priority Areas in Corporate Sustainability
ALL	What time frames are applied to each climate-related target?	2	PP.83-84	Priority Areas in Corporate Sustainability
ALL	What is the base year used for each climate-related target?	2	PP.83-84	Priority Areas in Corporate Sustainability
ALL	What key performance indicators are used to assess progress against each climate-related target?	4	PP.31-32 PP.83-84	Overview of Focus Areas Priority Areas in Corporate Sustainability

## THE UK STEWARDSHIP CODE 2020

Principles	Reporting expectations	Related pages in Sustainability Report
<b>[PURPOSE AND GOVERNANCE]</b> <b>Principle 1:</b> Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	<b>Context</b> Signatories should explain: • the purpose of the organization and an outline of its culture, values, business model and strategy; and • their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why. <b>Activity</b> • Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship. <b>Outcome</b> • Signatories should disclose: • how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and • an assessment of how effective they have been in serving the best interests of clients and beneficiaries.	PP.3-8 PP.9-16 PP.17-20 PP.21-22 PP.23-26  PP.27-38 PP.39-72 PP.73-80 PP.81-82 PP.83-84 PP.91-92  PP.39-72 PP.73-80 PP.81-82 PP.83-84 PP.91-92
<b>[PURPOSE AND GOVERNANCE]</b> <b>Principle 2:</b> Signatories' governance, resources and incentives support stewardship.	<b>Activity</b> Signatories should explain how: • their governance structures and processes have enabled oversight and accountability for effective stewardship within their organization and the rationale for their chosen approach; • they have appropriately resourced stewardship activities, including: - their chosen organizational and workforce structures; - their seniority, experience, qualifications, training and diversity; - their investment in systems, processes, research and analysis; - the extent to which service providers were used and the services they provided; and • performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decisionmaking. <b>Outcome</b> Signatories should disclose: • how effective their chosen governance structures and processes have been in supporting stewardship; and • how they may be improved.	PP.71-72 PP.81-82 PP.83-84 PP.85 PP.86 PP.87-89 PP.90  *Additional explanations are provided and made available at <a href="http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf">http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf</a> (in Chapter 2)
<b>[PURPOSE AND GOVERNANCE]</b> <b>Principle 3:</b> Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	<b>Context</b> Signatories should disclose their conflicts policy and how this has been applied to stewardship. <b>Activity</b> Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship. <b>Outcome</b> Signatories should disclose examples of how they have addressed actual or potential conflicts.	PP.61-62 PP.65-66 PP.87-89  *An example of managing conflicts of interest is provided at <a href="http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf">http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf</a> (in Chapter 3)
<b>[PURPOSE AND GOVERNANCE]</b> <b>Principle 4:</b> Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	<b>Activity</b> Signatories should explain: • how they have identified and responded to market-wide and systemic risk(s), as appropriate; • how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets; • the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and • how they have aligned their investments accordingly. <b>Outcome</b> • Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.	PP.27-34 PP.41-44 PP.53-54 PP.69-70 PP.90  *Other sections of this report with regards to Engagement and ESG Integration also present with the approaches, processes and examples of how AM-One identifies and responds to climate change risks
<b>[PURPOSE AND GOVERNANCE]</b> <b>Principle 5:</b> Signatories review their policies, assure their processes and assess the effectiveness of their activities.	<b>Activity</b> Signatories should explain: • how they have reviewed their policies to ensure they enable effective stewardship; • what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and • how they have ensured their stewardship reporting is fair, balanced and understandable. <b>Outcome</b> Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.	PP.21-22 PP.23-26 PP.45-48 PP.61-62 PP.69-70 PP.71-72 PP.73-74  AM-One's Aims for Sustainability Transformation Materiality as defined by AM-One Asset Management One's Engagement Activities Asset Management One's Approach to the Exercise of Voting Rights Summary of our Stewardship Activities Self-Assessment of FY 2020 Stewardship Activities Asset Management One's approach to ESG Integration

# Disclosure Ordinance Comparison Table

## THE UK STEWARDSHIP CODE 2020

Principles	Reporting expectations	Related pages in Sustainability Report
	<p><b>Context</b> Signatories should disclose:</p> <ul style="list-style-type: none"> <li>the approximate breakdown of:                             <ul style="list-style-type: none"> <li>the scheme(s) structure, for example, whether the scheme is a master trust, occupational pension fund, defined benefit or defined contribution, etc.;</li> <li>the size and profile of their membership, including number of members in the scheme and the average age of members;</li> </ul> </li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>their client base, for example, institutional versus retail, and geographic distribution;</li> <li>assets under management across asset classes and geographies;</li> <li>the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.</li> </ul> <p><b>Activity</b> Signatories should explain:</p> <ul style="list-style-type: none"> <li>how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>how they have sought and received clients' views and the reason for their chosen approach;</li> <li>how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>how assets have been managed in alignment with clients' stewardship and investment policies;</li> <li>what they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfill their stewardship reporting requirements.</li> </ul> <p><b>Outcome</b> Signatories should explain:</p> <ul style="list-style-type: none"> <li>how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries;</li> <li>how they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>how they have taken account of the views of clients and what actions they have taken as a result;</li> <li>where their managers have not followed their stewardship and investment policies, and the reason for this;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.</li> </ul>	<p>PP.3-8 Message from the President &amp; CEO PP.17-20 Message from the CIO PP.39-40 Outcomes of Engagement Activities and Exercise of Voting Results in Japan PP.59-60 Engagement Activities and Outcomes in ex-Japan global markets PP.67-68 Exercise of Voting Rights in Overseas Companies PP.69-70 Summary of our Stewardship Activities PP.71-72 Self-assessment of FY2020 Stewardship Activities PP.85-86 Dialogue with Various Stakeholders</p> <p>*Additional information, such as the breakdown of AUM by client type and by asset class, are available at <a href="http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf">http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf</a> (in Chapter 6)</p>
<p><b>[INVESTMENT APPROACH]</b> <b>Principle 6:</b> Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.</p>		
<p><b>[INVESTMENT APPROACH]</b> <b>Principle 7:</b> Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.</p>	<p><b>Context</b> Signatories should disclose the issues they have prioritized for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.</p> <p><b>Activity</b> Signatories should explain:</p> <ul style="list-style-type: none"> <li>how integration of stewardship and investment has differed for funds, asset classes and geographies;</li> <li>how they have ensured:                             <ul style="list-style-type: none"> <li>tenders have included a requirement to integrate stewardship and investment, including material ESG issues; and</li> <li>the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries;</li> </ul> </li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>the processes they have used to:                             <ul style="list-style-type: none"> <li>integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and</li> <li>ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.</li> </ul> </li> </ul> <p><b>Outcome</b> Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries.</p>	<p>PP.21-22 AM-One's Aims for Sustainability Transformation PP.23-26 Materiality as defined by AM-One PP.27-38 Overview of Focus Areas PP.69-70 Summary of our Stewardship Activities PP.71-72 Self-assessment of FY2020 Stewardship Activities PP.73-74 ESG Integration at AM-One PP.75-76 ESG Integration in Equity Investment PP.77-78 ESG Integration in Fixed-Income Investment PP.79 ESG Initiatives in Indirect Investment PP.80 ESG Initiatives at AMOAI</p>
<p><b>[INVESTMENT APPROACH]</b> <b>Principle 8:</b> Signatories monitor and hold to account managers and/or service providers.</p>	<p><b>Activity</b> Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.</p> <p><b>Outcome</b> Signatories should explain:</p> <ul style="list-style-type: none"> <li>how the services have been delivered to meet their needs;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>the action they have taken where signatories' expectations of their managers and/or service providers have not been met.</li> </ul>	<p>PP.59-60 Engagement Activities and Outcomes in ex-Japan global markets</p> <p>*Additional information and case study of how AM-One monitors service providers are provided at <a href="http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf">http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf</a> (in Chapter 8).</p>

Principles	Reporting expectations	Related pages in Sustainability Report
<p><b>[ENGAGEMENT]</b> <b>Principle 9:</b> Signatories engage with issuers to maintain or enhance the value of assets.</p>	<p><b>Activity</b> Signatories should explain:</p> <ul style="list-style-type: none"> <li>the expectations they have set for others that engage on their behalf and how;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>how they have selected and prioritized engagement (for example, key issues and/or size of holding);</li> <li>how they have developed well-informed and precise objectives for engagement with examples;</li> <li>what methods of engagement and the extent to which they have been used;</li> <li>the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6; and</li> <li>how engagement has differed for funds, assets or geographies.</li> </ul> <p><b>Outcome</b> Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.</p>	<p>PP.39 Engagement Activities in Japan PP.41-44 Topics for our Stewardship Activities PP.45-48 Asset Management One's Engagement Activities PP.49-54 Thematic Engagement at AM-One PP.55-56 Engagement in Equity Investment PP.57-58 Engagement in Fixed Income Investment PP.59-60 Engagement Activities and Outcomes in ex-Japan global markets PP.65-66 Integrated Approach to Engagement and Voting</p> <p>*P45-48 details our engagement approach, resources, processes and outcomes at AM-One.</p>
<p><b>[ENGAGEMENT]</b> <b>Principle 10:</b> Signatories, where necessary, participate in collaborative engagement to influence issuers.</p>	<p><b>Activity</b> Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf.</p> <p><b>Outcome</b> Signatories should describe the outcomes of collaborative engagement.</p>	<p>PP.27-30 Materiality Focus Area - Climate Change; participation in the CA100+ and NZAM initiatives PP.41-44 Topics and Initiatives for our Stewardship Activities PP.59-60 Engagement Activities and Outcomes in ex-Japan global markets PP.67-68 Exercise of Voting Rights in ex-Japan Global Markets</p> <p>*Additional case studies of AM-One's participation in global collaborative engagement activities are provided at <a href="http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf">http://www.am-one.co.jp/pdf/english/51/ss_report_2020-2021_E.pdf</a> (in Chapter 10)</p>
<p><b>[ENGAGEMENT]</b> <b>Principle 11:</b> Signatories, where necessary, escalate stewardship activities to influence issuers.</p>	<p><b>Activity</b> Signatories should explain:</p> <ul style="list-style-type: none"> <li>the expectations they have set for asset managers that escalate stewardship activities on their behalf;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>how they have selected and prioritized issues, and developed well-informed objectives for escalation;</li> <li>when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and</li> <li>how escalation has differed for funds, assets or geographies.</li> </ul> <p><b>Outcome</b> Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.</p>	<p>PP.45-48 Asset Management One's Engagement Activities PP.65-66 An Integrated Approach to Voting and Engagement PP.67-68 Exercise of Voting Rights in ex-Japan Global Markets PP.71-72 Self-assessment of FY2020 Stewardship Activities</p> <p>*Other sections of this report with regards to stewardship activities also provide with examples of how AM-One progresses and escalates engagement dialogues with investee companies</p>
<p><b>[EXERCISING RIGHTS AND RESPONSIBILITIES]</b> <b>Principle 12:</b> Signatories actively exercise their rights and responsibilities.</p>	<p><b>Context</b> Signatories should:</p> <ul style="list-style-type: none"> <li>state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies. In addition, for listed equity assets, signatories should:                             <ul style="list-style-type: none"> <li>disclose their voting policy, including any house policies and the extent to which funds set their own policies;</li> <li>state the extent to which they use default recommendations of proxy advisors;</li> <li>report the extent to which clients may override a house policy;</li> <li>disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and</li> <li>state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate 'empty voting'.</li> </ul> </li> </ul> <p><b>Activity</b> For listed equity assets, signatories should:</p> <ul style="list-style-type: none"> <li>disclose the proportion of shares that were voted in the past year and why;</li> <li>provide a link to their voting records, including votes withheld if applicable;</li> <li>explain their rationale for some or all voting decisions, particularly where:                             <ul style="list-style-type: none"> <li>there was a vote against the board;</li> <li>there were votes against shareholder resolutions;</li> <li>a vote was withheld;</li> <li>the vote was not in line with voting policy.</li> </ul> </li> <li>explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and</li> <li>explain how they have monitored what shares and voting rights they have.</li> </ul> <p>For fixed income assets, signatories should explain their approach to:</p> <ul style="list-style-type: none"> <li>seeking amendments to terms and conditions in indentures or contracts;</li> <li>seeking access to information provided in trust deeds;</li> <li>impairment rights; and</li> <li>reviewing prospectus and transaction documents.</li> </ul> <p><b>Outcome</b> For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months.</p>	<p>PP.40 Results for Voting in Japanese Companies PP.61-62 Asset Management One's Approach to the Exercise of Voting Rights PP.63-64 Our Expectations for Investee Companies PP.65-66 Integrated Approach to Engagement and Voting PP.67-68 Exercise of Voting Rights in ex-Japan Global Markets PP.89 Responsible Investment Governance</p> <p>*A full Voting Policies and Guidelines for Japanese equities are reviewed annually and are available at its website in Japanese (<a href="http://www.am-one.co.jp/company/voting/">http://www.am-one.co.jp/company/voting/</a>); detailed voting results for individual companies on each resolution, together with the rationale behind votes cast against management, are also disclosed on the website</p>

# Disclosure Ordinance Comparison Table

## Principles for Responsible Investment

Principle	Related pages in Sustainability Report
<b>Principle 1</b> We will incorporate ESG issues into investment analysis and decision-making processes.	PP.3-8 Message from the President & CEO PP.9-16 A Special Conversation PP.17-20 Message from the CIO PP.21-22 Asset Management One's Aims for SX PP.23-26 Materiality as Defined by Asset Management One PP.27-38 Overview of Focus Areas PP.53-54 Thematic Engagement: SDGs to Drive Innovation PP.67-68 Exercise of Voting Rights in ex-Japan Global Markets PP.73-80 ESG Integration at Asset Management One
<b>Principle 2</b> We will be active owners and incorporate ESG issues into our ownership policies and practices.	PP.3-8 Message from the President & CEO PP.27-38 Overview of Focus Areas PP.39-72 Stewardship Activities PP.73-80 ESG Integration at Asset Management One
<b>Principle 3</b> We will seek appropriate disclosure on ESG issues by the entities in which we invest.	PP.21-22 Asset Management One's Aims for SX PP.23-26 Materiality as Defined by Asset Management One PP.27-38 Overview of Focus Areas PP.45-48 Asset Management One's Engagement Activities PP.53-54 Thematic Engagement: SDGs to Drive Innovation PP.55-56 Engagement in Equity Investment PP.57-58 Engagement in Fixed Income Investment PP.69-70 Summary of our Stewardship Activities PP.71-72 Self-Assessment of FY 2020 Stewardship Activities PP.73-74 Asset Management One's approach to ESG Integration
<b>Principle 4</b> We will promote acceptance and implementation of the Principles within the investment industry.	PP.27-38 Overview of Focus Areas PP.41-44 Topics for our Stewardship Activities PP.67-68 Exercise of Voting Rights in Overseas Companies PP.77-78 ESG Integration in Fixed-Income Investment
<b>Principle 5</b> We will work together to enhance our effectiveness in implementing the Principles.	PP.41-44 Topics for our Stewardship Activities PP.55-56 Engagement in Equity Investment PP.57-58 Engagement in Fixed-Income Investment PP.67-68 Exercise of Voting Rights in Overseas Companies
<b>Principle 6</b> We will each report on our activities and progress towards implementing the Principles.	PP.39-72 Stewardship Activities

## Disclosure required for asset management companies based on SFDR

SFDR, REGULATION (EU) 2019/2088

Targets	Articles	Article Number	Related pages in Sustainability Report
<b>Financial Market Participants and Financial Advisers</b>	Transparency of sustainability risk policies	Article 3	PP.3-8 Message from the President & CEO PP.17-20 Message from the CIO PP.21-22 Asset Management One's Aims for SX PP.23-26 Materiality as Defined by Asset Management One PP.27-38 Overview of Focus Areas PP.53-54 Thematic Engagement: SDGs to Drive Innovation PP.73-74 Asset Management One's approach to ESG Integration
	Transparency of adverse sustainability impacts at entity level	Article 4	PP.17-20 Message from the CIO PP.27-38 Overview of Focus Areas PP.80 ESG Initiatives at AMOAI
	Transparency of remuneration policies in relation to the integration of sustainability risks	Article 5	—
<b>Financial Products</b>	Transparency of the integration of sustainability risks	Article 6	PP.27-38 Overview of Focus Areas PP.69-70 Summary of our Stewardship Activities PP.71-72 Self-Assessment of FY2020 Stewardship Activities PP.73-80 ESG Integration at Asset Management One
	Transparency of adverse sustainability impacts at financial product level	Article 7	PP.17-20 Message from the CIO PP.27-38 Overview of Focus Areas PP.80 ESG Initiatives at AMOAI
	Transparency of the promotion of environmental or social characteristics in pre-contractual disclosures	Article 8	PP.27-38 Overview of Focus Areas PP.45-48 Asset Management One's Engagement Activities PP.55-56 Engagement in Equity Investment PP.57-58 Engagement in Fixed-Income Investment PP.59-60 Engagement Activities and Outcomes in ex-Japan global markets PP.61-62 Asset Management One's Approach to the Exercise of Voting Rights PP.63-64 Our Expectations for Investee Companies PP.65-66 Integrated Approach to Engagement and Voting PP.67-68 Exercise of Voting Rights in ex-Japan Global Markets PP.73-80 ESG Integration at Asset Management One
	Transparency of sustainable investments in pre-contractual disclosures	Article 9	PP.3-8 Message from the President & CEO PP.17-20 Message from the CIO PP.27-38 Overview of Focus Areas PP.69-70 Summary of Our Stewardship Activities PP.71-72 Self-Assessment of FY 2020 Stewardship Activities PP.73-80 ESG Integration at Asset Management One
	Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites	Article 10	PP.3-8 Message from the President & CEO PP.17-20 Message from the CIO PP.27-38 Overview of Focus Areas PP.69-70 Summary of our Stewardship Activities PP.71-72 Self-Assessment of FY 2020 Stewardship Activities PP.73-80 ESG Integration at Asset Management One
	Transparency of the promotion of environmental or social characteristics and of sustainable investments in periodic reports	Article 11	PP.3-8 Message from the President & CEO PP.17-20 Message from the CIO PP.27-38 Overview of Focus Areas PP.69-70 Summary of Our Stewardship Activities PP.71-72 Self-Assessment of FY 2020 Stewardship Activities PP.73-80 ESG Integration at Asset Management One



Creating a sustainable future  
through the power of investment